

THE COLOMBO PLAN

FOR CO-OPERATIVE ECONOMIC DEVELOPMENT
IN SOUTH AND SOUTH-EAST ASIA

171

SECOND
ANNUAL REPORT
OF THE
CONSULTATIVE COMMITTEE



NEW DELHI: OCTOBER 1953

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Financial Years of the members of the Colombo Plan

Financial year
Month to Month

Australia	.	.	.	.	.	.	.	July	.	June
Burma	.	.	.	.	.	.	.	October	.	September
Cambodia	.	.	.	.	.	.	.	January	.	December
Canada	.	.	.	.	.	.	.	April	.	March
Ceylon	.	.	.	.	.	.	.	October	.	September
India	.	.	.	.	.	.	.	April	.	March
Laos	.	.	.	.	.	.	.	January	.	December
Nepal	.	.	.	.	.	.	.	July	.	June
New Zealand	.	.	.	.	.	.	.	April	.	March
Pakistan	.	.	.	.	.	.	.	April	.	March
United Kingdom	.	.	.	.	.	.	.	April	.	March
Malaya and British Borneo	.	.	.	.	.	.	.	January	.	December
U. S. A.	.	.	.	.	.	.	.	July	.	June
Viet-Nam	.	.	.	.	.	.	.	January	.	December
Indonesia	.	.	.	.	.	.	.	January	.	December

Exchange Rates used in the Report

£ 1 Sterling = 1 Dollar =

Rupees (Rs.) (India and Ceylon)	.	.	.	.	.	13.33	}	4.78
Rupees (Rs.) (Pakistan)	.	.	.	.	.	9.27		3.32
Malayan dollars (M \$)	.	.	.	.	.	8.57		3.06
Piastres	.	.	.	.	.	101.00		36.12
Rupiahs (Indonesia)	.	.	.	.	.	31.92		11.40
Kyats (Burma)	.	.	.	.	.	13.33		4.78

Measures and Measurements used in the Report

1 maund	= 82 Lbs.
27 1/2 maunds	= 1 ton.
1 acre	= 4840 sq. yards
1 bale (jute)	= 392 Lbs.

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CHAPTER I

HISTORICAL BACKGROUND

1. The Colombo Plan for Co-operative Economic Development in South and South East Asia had its origin in and took its name from the meeting of Commonwealth Foreign Ministers held at Colombo in January 1950. The meeting of the Consultative Committee in New Delhi in October, 1953, thus has behind it over three years of co-operative activity, and during that period the name and the objects of the Colombo Plan have become familiar to those concerned with the problems of economic development in the area. It may, however, be desirable to recapitulate briefly the nature and earlier history of the Plan; a fuller account will be found in Chapter I of the First Annual Report of the Consultative Committee which was prepared at the meeting of the Committee held in Karachi in March, 1952.

2. The Colombo meeting of January 1950 had for its object an exchange of views by the Foreign Ministers on world problems and particularly on the needs of the countries of South and South East Asia. It set up a Consultative Committee to survey the needs, to assess resources available and required, to focus world attention on the development problems of the area and to provide a frame-work within which an international co-operative effort could be promoted to assist the countries of the area to raise their living standards. The original members were Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom together with Malaya and British Borneo. At the first meeting, held in Sydney in May 1950, it was agreed that the Commonwealth countries in the area should draw up development programmes covering a six-year period from 1st July 1951, and that the other countries in the area should be invited to take similar action. Agreement was also reached at the meeting on the establishment of the Technical Co-operation Scheme referred to in paragraph 7 below.

3. Subsequent meetings of the Committee were held in London (September 1950), Colombo (February 1951) and Karachi (March 1952). At the London meeting the six-year development programmes prepared by the Commonwealth countries in the area were considered and incorporated in a report (The Colombo Plan for Co-operative Economic Development in South and South East Asia); at the Colombo meeting the situation since the London report was reviewed, agreement was reached about future meetings of the Committee and the publication of an annual report, and the Commonwealth countries outside the area announced the financial

contributions they would make towards the cost of carrying out the programmes. At the Karachi meeting and at the present meeting attention was concentrated on the developments of the previous year, and on the progress expected in the coming year.

4. The Sydney meeting in May 1950 was attended by representatives of Commonwealth countries only; but it was contemplated from the beginning that all countries in the area should be invited to participate in the Plan on equal terms. At the London meeting of September 1950 Burma, Cambodia, Indonesia, Laos, Thailand and Viet Nam were represented by observers; Viet Nam, Cambodia and Laos shortly afterwards became full members; Burma and Nepal attended the Karachi meeting as full members, and Indonesia has attended the present meeting in the same capacity. The United States, which in 1950 had assistance programmes in operation in the area and more substantial ones in preparation, was happy to associate itself with the other members of the Committee, and has attended, as a full member, the Colombo and Karachi meetings, as well as the present meeting. The International Bank for Reconstruction and Development, the importance of which as a source of finance for development programme has been recognised, has maintained close liaison with the Committee in its work, and has been represented at the Colombo and later meetings. The Economic Commission for Asia and Far East (ECAFE), the studies and activities of which are related to development problems of the area, sent observers, by invitation of the Committee, to the Karachi and Delhi meetings. Thailand sent observers to the London and subsequent meetings and the Phillipines had observers at the Colombo and Karachi meetings.

5. The First Annual Report, drawn up at the Karachi meeting of March 1952, was able to record a year of general achievement. At that meeting several countries announced substantial revisions in the development programmes which had been presented at the London meeting of the Consultative Committee. Most countries in the area had benefited by the boom in raw materials, which had substantially increased their export earnings and had enabled them to finance their development programmes very largely from their own resources. The Report pointed out, however, that the exceptionally favourable conditions of 1950-51 had already come to an end.

6. The Karachi Report described the results of the Conference of Commonwealth Finance Ministers which had met in January 1952 to consider the crisis in the payments position of the sterling area. In November 1952, there was a Conference of Commonwealth Prime Ministers, which was able to concentrate on long-term policy and to formulate principles for the avoidance of further

crises and for building up the economic strength and prosperity of Commonwealth countries and of the world. In this connection three main points emerged from the final communiqué issued at the end of the Conference. First, all countries present recognised the need to regulate their internal policies so as to curb any inflationary tendencies in their economies. Secondly, it was agreed that the countries of the Commonwealth should seek the co-operation of other countries in a collective approach towards a freer system of trade and currencies. Thirdly, the Conference agreed upon the importance of encouraging sound economic development with the object of increasing productive strength and competitive power, providing employment and raising the standard of life. The Conference agreed that in sterling Commonwealth countries development should be concentrated on those projects which directly or indirectly contribute to the improvement of the Sterling Area's balance of payments.

Technical Co-operation Scheme

7. An essential and integral feature of the Colombo Plan is the scheme for technical co-operation. Under this scheme the Commonwealth Governments participating in the Plan agreed to provide technical assistance up to a value of £ 8 million for a period of three years from 1st July, 1950; it has since been decided that the scheme shall be co-terminous with the Colombo Plan itself and shall continue to operate until 30th June, 1957. The scheme is administered by a Council, representative of the participating Governments, which is assisted by a Bureau with headquarters in Colombo. The latest progress report of the Council is annexed to this Report.

CHAPTER II

GENERAL ECONOMIC AND FINANCIAL BACKGROUND

1. The progress made by the various countries in carrying out their development programmes during the Second Year of the Colombo Plan is described in the following chapters. The purpose of the present chapter is to give a brief outline of how the general economic and financial conditions which prevailed during that period affected the economies of these countries.

The End of the Boom

2. Most of the countries are exporters of raw materials and other primary products. During the latter part of 1950 and first half of 1951 the prices of such products rose far above their former levels. The consequent unexpected increase in national incomes enabled most of the countries to finance development programmes almost entirely from their own resources and at the same time to increase their external assets and internal reserves.

3. These very favourable conditions had already disappeared when last year's Report was written. It was then pointed out that the terms of trade for most countries in the area had swung back again and that they would no longer be able to finance their programmes so largely from their own resources.

4. Since then, the prices of some of their main export commodities have fallen still lower. For example, rubber which had averaged 4s. 3d. a lb. during 1951, averaged only 2s. 3d. during 1952 and is now about 1s. 5d. Raw jute (Pakistan) averaged Rs. 210 a bale in 1951, Rs. 153 in 1952, and is now about Rs. 120. The prices of manufactured jute products also fell; for example, burlap (India) averaged Rs. 129 per 100 yards in 1951, Rs. 68 in 1952, and is now Rs. 44. Cotton (Pakistan) averaged Rs. 846 per bale in 1951, Rs. 630 in 1952, and is now about Rs. 410. Tin has fallen from an average price of £1,077 a ton in 1951 to about £616 now.

The downward trend in the prices of some other export commodities of the area such as tea and copra, has, however, been relatively moderate, and the recent rise in the price of tea has brought it back to near its 1951 levels.

As import prices fell comparatively little, most countries in the area have suffered a further adverse movement in their terms of trade since the time of the Karachi meeting (March, 1952). Burma

is an outstanding exception; and for two or three countries, notably Ceylon and Malaya, despite the adverse trend since 1951, the terms of trade are even now considerably more favourable than they were in 1948 (when rubber was about 1s. a lb.). For India and Indonesia, however, the terms of trade are 8 or 9 per cent. less favourable than in 1948, and the same is probably true of most other countries.

A graph showing the trends in prices of some important commodities in the three years is given at the end of this chapter.

Foreign Trade

5. One effect of these various changes has been a fall in the total value of foreign trade. The reduction in export earnings reduced incomes and consequently expenditure on imports, while some countries were constrained to impose restrictions on their imports in an attempt to conserve foreign exchange reserves.

										(£ million)	
Ceylon (October-September)										Imports†	Exports
1950-51	.	.	.	.	.	.	.	.	.	110	148
1951-52	.	.	.	.	.	.	.	.	.	125	122
1952-53	.	.	.	.	.	.	.	.	.	(119)*	(112)*
India (April-March)										.	.
1950-51	.	.	.	.	.	.	.	.	.	472	480
1951-52	.	.	.	.	.	.	.	.	.	702	536
1952-53	.	.	.	.	.	.	.	.	.	460	434
Indonesia (January-December)										.	.
1951	.	.	.	.	.	.	.	.	.	300	450
1952	.	.	.	.	.	.	.	.	.	330	328
1953	.	.	.	.	.	.	.	.	.	(254)*	(274)*
Malaya (January-December)										.	.
1951	.	.	.	.	.	.	.	.	.	551	699
1952	.	.	.	.	.	.	.	.	.	449	443
1953	.	.	.	.	.	.	.	.	.	(379)*	(374)*
Pakistan (July-June)										.	.
1950-51	.	.	.	.	.	.	.	.	.	175	276
1951-52	.	.	.	.	.	.	.	.	.	231	217
1952-53	.	.	.	.	.	.	.	.	.	146	163

Most countries in the area have experienced a fall in export earnings due mainly to a fall in prices. The decline in imports were attributable mainly to reductions in volume. Burma's earnings increased, and imports were maintained owing to the improvement in the price of rice, which is the chief export.

*The figures in brackets are annual rates based on actual figures for 10 months for Ceylon, 6 months for Indonesia and 7 months for Malaya.

National Incomes

6. The fall in export earnings led to a fall in national incomes. This caused rather widespread economic distress and the contrast with the previous high expectations produced a general feeling of frustration and bewilderment. The types of incomes which fell most were those which had benefited from the boom, namely the incomes and profits of smallholders, especially in plantation agriculture. These countries are predominantly agricultural and most of their agricultural output is produced by farmers with small, often very small, holdings who have to sell their produce for what it will fetch. In an industrialised country of wage earners, a sharp fall in prices such as has taken place might have led to unemployment. In these countries it has led to lower incomes for smallholders producing commodities for export. There has been some increased unemployment, for example in urban areas in India. Some groups of wage-earners in the export industries, rubber-tappers for example, have had wages reduced. But in most countries the cost of living has remained at about its 1951 levels (indeed in some countries it has risen) and on the whole wage-rates have not fallen. For the region as a whole the greater problem continues to be chronic under-employment arising primarily from the lack of sufficient suitable land and shortage of capital combined with growing populations.

Cost of Development Projects

7. During 1950 and 1951 there was a general rise in the prices of capital goods and also in the general levels of wages in the area. Consequently there was considerable increase, although the extent of this increase varied from country to country, in the costs of carrying out developmental projects above the original estimates made early in 1950. Since 1951 there has been little, if any, fall in the costs of building, construction and other development work. As a result, it is not possible for most countries to make any downward revisions in their estimates of the cost of the various projects in their future programmes.

Internal Financial Resources

8. There has been a marked fall, however, since 1950-51, in the resources available to these countries for providing their own finance for their programmes. Lower incomes have meant that most types of taxes have given lower yields. In a number of these countries export duties form a significant part of public revenue; in some cases export duties are levied at a lower rate when the prices of the exports are lower, and even if the rate has remained the same percentage of the export price, the marked fall in the latter has reduced the yield. Moreover, most countries derive a substantial part of their public revenues from import duties. The general

fall in the volume of imports, due to the fall in purchasing power and in some instances to import restrictions imposed in order to keep down balance of payments deficits, reduced the yield of import duties. Hence the revenues of Governments have fallen substantially. Some of them have not been able to meet even their current expenditure from current revenue. Others have been able to meet part of their capital expenditure on development out of their current revenue, but to a far smaller extent than during the boom.

9. Efforts have been made to expand small savings but so far the response has not been very marked. Some countries impose a kind of enforced saving in the form of compulsory contributions, by both employers and employees, to Provident Funds, which in their early years are accumulating a substantial surplus. But lower profits, especially in the export industries, have reduced the amount available for investment. Hence, on balance, there has been a marked fall since 1950-51 in the total amount of saving (including saving through budget surpluses) in most countries in the area.

10. Nevertheless nearly all these countries managed to spend rather more on their development programmes in 1952-53 than they spent in 1951-52. In some cases they have raised internal loans. Some Governments had accumulated substantial surpluses during the boom, on which they have been drawing to fill the gap. In general external assets and internal reserves have been severely reduced.

CHAPTER III

BURMA

Economic and Financial Situation

Burma's economic position has continued to improve during the past two years. The development programme, launched in August 1952 after the Pyidawtha (welfare State) conference, followed an arduous period of internal consolidation and restoration of internal security. Owing to the destruction of valuable assets in World War II, Burma's production in 1946-47 was only 61 per cent of that in 1938-39. With the general improvement in the internal conditions of the country, total production during the fiscal year 1950-51 rose to 70 per cent of 1938-39. Output and income must rise considerably above pre-war in order to provide an adequate standard of living for an increasing population now estimated to be approximately 18 million.

The increase in output has been due primarily to three factors. The first is the increase in paddy cultivation and in other agricultural output. The second is the increase in governmental expenditure within Burma which included increased purchase of goods as well as increased wage and salary payments. These expenditures were matched only in part by increased revenue while the remainder was financed from reserves. The third factor was increased consumer expenditure throughout the economy, caused by a rise in incomes resulting from the two factors already listed.

2. A marked improvement in terms of trade has occurred during the past two years. Though export prices of some commodities (e.g., rubber, cotton and tobacco) have fallen these declines have been much more than offset by increases in the prices of the other exports, especially rice. Prices of some major imports such as textiles and oilseeds have fallen. This improved relationship between export and import prices together with the increase in the volume of production, especially of paddy has enabled the income of the economy to improve by 25 per cent. in 1952-53 as compared with 1950-51. In the main this increase has not been consumed but has been accumulated by the Government to finance the development programme.

3. Capital formation in Burma has increased substantially. For 1952-53, gross capital formation is estimated at 835 million kyats*, which is almost double the figure for 1950-51.

* Exchange rate : k 13.33 = £ 1 (Sterling.)

k4.78 = \$1 (Dollar)

4. During the first quarter of 1953, wholesale prices of agricultural produce fell by about 10 per cent. from the level for the same quarter in 1952, and dropped just below the lowest level for this season of the year since 1948. The cost of living in Rangoon fell by 6 per cent and agricultural wholesale prices in all Burma are now at their lowest point for this quarter since the end of the war.

5. The volume of foreign trade is still well below the pre-war level though the value of exports is greater than pre-war because of the increased level of world prices. For example, the volume of rice exports (in thousands of tons) fell from 3,228 in 1938-39 to 1,367 in 1950-51 and 1,161 in 1951-52. But the value of these exports in the same years (in million of kyats) rose from 218 to 758 and 809 respectively.

6. Imports have risen sharply since the low point of 1948-49. Relaxation of import restrictions in 1951-52 plus the increase in the level of economic activity caused the continued increase in that year. In both 1950-51 and 1951-52 imports went to replenish depleted stocks as well as to meet current needs. Some excessive buying occurred, illustrated by the 1951-52 glut in the textile market, but in most textile lines this has been worked off. In 1951-52 approximately one quarter of the imports was in the form of capital goods.

Development Programme for 1951-52 and 1952-53

7. A consolidated economic budget is prepared each year by the Ministries of National Planning and Finance and Revenue and the operating agencies. It is co-ordinated by the Economic and Social Board, after which it is approved by the Cabinet and Parliament. Specific projects of development are incorporated in the capital budget of the Government.

8. The Industrial Development Corporation, the Mineral Resources Development Corporation, and the Agricultural and Water Resources Development Corporation were created to carry out some of the development projects in 1952. They have been broadly empowered to establish and supervise the operation of governmental projects through subsidiary companies; to formulate operational policies and carry on training, research and other programmes of a general nature within their respective fields; and to render aid to private enterprises. They have been given autonomy and flexibility which will enable them to apply commercial criteria in their operations. It is hoped that in the carrying out of the development programmes, these corporations, as they begin active operations, will be able to make the most effective use of the limited number of managerial professional and technical personnel available.

9. A comprehensive report on the economic and engineering development of the Union of Burma was submitted to the Government in August 1953, and is now under consideration. This report proposes a development programme to be accomplished by 1959-60 covering economic and administrative policy, agriculture, irrigation, transportation, communications, electric power, mining and industry. The proposed programme is planned to increase the gross national product of the Union of Burma in 1959-60 from 4,297 million kyats in 1952-53 to 7,000 million kyats. The total investment involved in the programme is 7,500 million kyats of which approximately 3,000 million kyats would be utilised on projects in the fields of irrigation, transportation, communications, electric power, mining and industry. The remaining 4,500 million kyats would be devoted to agriculture, housing, sanitation, health, welfare and trades and services.

10. Substantial progress has been made in carrying out economic development projects during the last two years. The total expenditure of public authorities on development is increasing each year as follows:—

Estimates	Million kyats
1951-52	150
1952-53	220
1953-54	390

For 1953-54, development expenditure will represent 30 per cent. of the total expenditure of public authorities.

11. The internal financial resources for financing these expenditures are derived from current surpluses of public authorities, some miscellaneous capital receipts, Government cash balances and investment reserves. For 1953-54 the development expenditure of 390 million kyats will be financed to the extent of 267 million kyats by the use of Government cash balances and investment reserves. These cash balances stood at 489 million kyats in May 1953. No external finance in the form of loans has been received. Official holdings of gold and foreign exchange have risen from 958 million kyats in September 1952 to 1,178 million kyats in May 1953.

12. The estimated investment over the seven year period will be as follows:—

	Million kyats
Electric Power	772
Irrigation	365
Ports and Waterways	453
Railways	273
Highways	594
Airways	84
Telecommunications	28
Mineral Industry	115
Manufacturing	230
	<hr/>
	2,914

13. The following is an account of the activities in the main fields of economic development.

14. **Transportation.**—Transport facilities were seriously damaged by war and insurrection. Their rehabilitation and expansion will represent one of the largest capital programmes. Rehabilitation and modernisation of rail and water transport facilities proceeded with increasing speed in 1952-53.

Railways.—Fifty one million kyats were allotted in the budget for capital expenditure by the railways in 1952-53 as compared with a revised budget estimate of 37 million kyats expenditure in 1951-52. The bulk of the expenditure in both years was intended for the replacement of bridges, buildings, roadways and similar installations. Although fuller operation and maintenance was possible than in the past several years, sporadic interruptions and damage by insurgents continued to occur. Owing to these activities, most of the expenditure had to be devoted to the construction and repair of rolling stock.

Inland Waterways.—Of 13 million kyats allocated for capital outlays by the Inland Waterways and Transport Board in 1952-53, about one-third was for advance payment on vessels to be ordered from abroad. The development plans of the Inland Waterways Transport Board call for rapid expansion during the next three years of the entire flotilla including paddle steamers, launches, tugs and barges.

Shipping:—The Union of Burma Shipping Board was created in January 1952 to establish and operate coastal and international shipping services on behalf of the Government. Almost 9 million kyats were allotted to the Board to purchase existing ships and place construction orders. The first ship, the S.S. Pyidawtha inaugurated coastal service between Rangoon and Akyab in February 1953.

Ports:—Major expenditures by the Commissioners of the Port of Rangoon were devoted to the rehabilitation of port facilities. Capital outlays are being made abroad to expand the fleet of harbour craft. Dredging was started in the harbour at Akyab in May 1952 and in the access channel at Moulmien in June 1953. Dredges for both operations were furnished by U.S. Government foreign aid agencies.

Airways:—The Union of Burma Airways provide a service to 33 cities and towns in Burma and international services to Calcutta, Chittagong, Singapore and Penang. The runways, taxiways and parking apron for the new Mingaladon Aerodrome at Rangoon were completed in June 1952. Construction of a modern terminal is expected to be completed by June 1955.

15. Agriculture:—In March 1952, the Government drew up a 5 Year Plan for agricultural and rural development. The Plan calls for increasing the area under paddy cultivation by 3 million acres by 1956-57 and for increasing the acreage of groundnuts, long staple cotton, jute, coconuts and onions. In addition, experimental dairy and live-stock farms are to be established. The Agricultural and Water Resources Development Corporation is responsible for planning, co-ordinating and financing the programme. During 1952-53, the Agricultural and Water Development Corporation distributed subsidies of 4,378,000 kyats to farmers for bringing new Paddy acreage into cultivation. In 1952, 633,000 more acres were sown to paddy than in 1951—well above the target of an increase of 505,000 acres.

A Government cotton seed farm was established near Meiktila to provide seed for growing long staple cotton. This project is intended to help in achieving the goal of 200,000 acres under improved cotton by 1956-57. The other activities have included the allocation of loan funds for jute growing, the establishment of a Government dairy farm with cows imported from Pakistan and the procurement of seedlings for 300,000 coconut trees.

A Directorate of State Agricultural Credit to co-ordinate all Government loans to farmers and a State Agricultural Bank have been established. Total Government loans to farmers in 1952-53 are estimated at 101.2 million kyats, which are more than double the amount issued in 1951-52. This is in addition to other subsidies and loans for special purposes, such as those mentioned above for extending paddy, groundnut, and jute acreage.

16. Industry:—The Government Cotton Spinning and Weaving Factory was completed and put into operation in November, 1950. A contract has been negotiated for constructing and equipping a modern brick and tile plant near Rangoon, and site preparation is now in progress. The Government is seeking an arrangement for a joint venture with a private firm for the construction and operation of a pulp and paper factory. A contract has been negotiated for the establishment of a deep sea fishing industry and work on it is expected to begin in 1953-54.

Funds were also set aside by the Government in 1952-53 for a joint venture with the Burma Cement Company for the operation of a cement plant.

An industrial plan for projects on which early action is advisable was prepared by a U.S. firm. This plan included expansion of electric generating facilities (thermal, hydro and diesel) and the following industrial projects: a steel rolling mill to use a large accumulation

of war time scrap, a joinery plant, a cement industry, an asbestos-cement board and pipe factory, a rice bran oil plant, a jute bag factory, the pulp and paper factory mentioned above and a fertiliser industry. The plan is now under consideration by the Government and a start has been made on some of the projects.

17. Electric Power:—The Government has taken over various small plants in different parts of the country and also the Rangoon Electric Supply. The Government has approved a scheme of diesel generating installations in the principal towns with transmission and distribution lines to the adjacent villages. This project is estimated to cost 120 million kyats. Surveys have been made or are under way for the development of hydro-electric power stations.

18. Mining:—The number of mines being worked or explored under different concessions in Burma rose from 665 in 1951 to 695 in 1952. The Burma Corporation's Bawdwin Mine is being operated as a joint venture by the Government and the Corporation. Exploration, including surveys and core boring, is underway at the Kalewa Coal deposit in Upper Burma, preparatory to the development of this large body of sub-bituminous coal.

19. Social Services:—Of the various social welfare responsibilities undertaken by Government, the provision of housing and of medical and educational facilities involve the greatest investment demands. Much of 1951-52, the first year of operation of the Housing Board, was occupied in internal organisation and making plans although some actual construction was begun. In 1952-53, planning was undertaken on a larger scale and concrete results have been achieved. The Board was assigned the task of providing quarters for a large number of families made homeless by the disastrous fires of January and February 1953 and it was found possible to house a large number of victims before the heavy rains came. Of the Board's regular work, the first project to approach completion was the construction of permanent residences in the Rangoon area. Work is underway in various towns on the drilling of artesian wells, the repair and cleaning of drains, the construction of housing units, and the repair of essential roads. Ten villages in seven districts have been chosen for model village development. Work is proceeding on several of them. To encourage housing improvement, the Board has sold aluminium roofing to villagers at a reasonable price and on a time payment basis. The Board has also undertaken to construct 44 high schools for the Education Department. Approximately, one-third of the buildings, each accommodating 500 to 800 students, have been completed. Drawings have been prepared and tenders are being sought by the Ministry of Social Services for hospitals in ten towns. Other building projects include a hospital, a broadcasting station, a bazaar and an office building.

Pyidawtha Scheme:—Recognising that major programmes would take three to ten years to complete, the Government introduced the Discretionary Grant, under which 50,000 kyats are made available to each township to be spent at the discretion of the participating public, organised through Pyidawtha Committees at various levels of local Government. The Government's contribution to any one project is limited to 10,000 kyats and the public is invited to subscribe towards each project in services, in kind or in cash.

It has been estimated that the total value of capital works erected is between 50 and 100 per cent. greater than the expenditure from the Union Treasury. Although not large, the expenditure under these schemes in the past year has the special significance of catering to the immediate needs of the people. Normally discretionary grants are to be used in the villages, only five per cent. of total funds being available for use in towns. Projects are selected at township level and, once approved by the Divisional Committee, are executed without supervision of governmental departments. The principal requirement is that funds be utilised for the immediate promotion of welfare through such essential projects as the constructing of wells, irrigation works, roads, bridges, schools, libraries and other community facilities. Work has been going forward in most communities where insecurity is not a seriously limiting factor and in many where it is.

Third year of Colombo Plan (1953-54)

20. Burma joined in the Colombo Plan during its second year (1952). Its development programme and the progress achieved as well as the budget estimates for development expenditure in 1953-54 have been mentioned earlier. The specific projects to be undertaken in this period will form part of the long term economic and engineering development programme which is now under consideration by the Government of the Union of Burma.

Private development activity

21. Private outlays for fixed capital are expected to be greater than in 1951-52, although the increase will be less than for public capital outlays. Total private capital formation shows a decrease, but this is because of an increase of 58 million kyats in stocks in 1951-52 which is not repeated in 1952-53. The major increase is in building and construction activity. Capital investment in land reclamation is expected to be about the same as in 1951-52. Although Government subsidies help to pay for some of this investment, the capital formation is carried on by the cultivators for their own account and this activity is included in private capital formation.

22. Along with increased acreage cultivated, there have been increases in the number of livestock, another important form of

capital formation in agriculture. The latest estimates indicate that the number of plough cattle increased by five per cent. between March 1952 and March 1953.

23. Preliminary data indicate a considerable increase in 1952-53 in both the domestic outturn of major building materials (teak, other hardwoods, bamboo, cement etc.) and in the imports of steel beams, iron bars, sheet glass, tiles, roofing sheets, etc. Private construction, which is estimated to have increased substantially in 1952-53, absorbed a substantial amount of these materials.

24. The largest single private industrial project under way is the new oil refinery at Chauk, some of the equipment for which is being made on the site. A small sulphuric acid plant is also nearing completion.

It is believed that other private investment in a large number of small enterprises is also substantial.

EXTERNAL ASSISTANCE

25. There is a serious lack of both technical personnel and training facilities in Burma. The Technical Co-operation Administration and the Specialised Agencies of the United Nations have been furnishing technical assistance during the past two years. Enrolment in Rangoon University has increased materially in the same period and university graduates and Government Officials are studying abroad in increasing numbers as State scholars under deputation and under Fulbright, Technical Co-operation Administration, United Nations and Colombo Plan auspices. During the next few years, however, the need for experienced personnel both managerial and technical will be great and the Union must depend upon foreign assistance to fill the need. Every effort is being made to expand educational and training facilities, in all categories, including State scholarships abroad, University Government Technical Institute, Intermediate College, Artisans Training Centres and vocational training through the Rehabilitation Brigade, which trains workers in the building trades.

Various agencies of the United Nations have furnished technical assistance and materials as follows:—

Technical Assistance Administration	A team of cottage industry experts ; a social service mission, statistics and census advise and a town planning and building materials expert.
Food and Agricultural Organisation	Advisers and materials for veterinary research, forest extraction, timber processing and sericulture.
International Labour Organisation	Advisers on labour statistics and minimum wage control and a team of co-operative experts.
World Health Organisation	Specialists and materials in the fields of malarial control, T.B., venereal diseases, child health leprosy and serology.
United Nations Technical Assistance Administration	Materials and Supplies.
United Nations Educational, Scientific and Cultural Organisation	Urban teacher training specialists.

In addition, the U.S.A., through its agencies, delivered upto June 30, 1953, materials, equipment and services to the value of \$ 15.2 million for various developmental activities relating primarily to health, education and to the restoration of war damaged facilities.

BURMA

Balance of Payments 1951-52

Actual October, 1951 to September, 1952							In kyats	In Sterling*
							(Figures in million)	
<i>Payments (c.i.f.)</i>								
Food and feeding stuffs	.	.	.	.	.	.	208	16
Steel and non-ferrous metals	.	.	.	.	.	.	26	2
Chemicals (including fertilisers)	.	.	.	.	.	.	48	4
Machinery and Equipment	.	.	.	.	.	.	52	4
Vehicles	.	.	.	.	.	.	26	2
Petroleum and products	.	.	.	.	.	.	35	3
Manufactured consumer goods, etc.	.	.	.	.	.	.	398	29
Other industrial raw materials	.	.	.	.	.	.	16	1
Total Imports	.	.	.	.	.	.	818	61
Invisible payments (net)	.	.	.	.	.	.	34	3
Payments							852	64
<i>Receipts Exports (f.o.b.)</i>								
Rice and products	.	.	.	.	.	.	809	61
Metal and ores	.	.	.	.	.	.	60	5
Timber	.	.	.	.	.	.	56	4
Other	.	.	.	.	.	.	172	13
Total Exports	.	.	.	.	.	.	1,097	83
Total Receipts	.	.	.	.	.	.	1,097	83
Current Account (Surplus or deficit)							+245	+19
Source : Statement of External Trade Statistics—The National Income of Burma 1953.								

*Exchange Rate : £1=13.3 kyats.
\$1=4.78 kyats.

CHAPTER IV

CEYLON

Economic and Financial Situation

As outlined in the report on the meeting of the Consultative Committee held at Karachi, Ceylon's development programme aims at the diversification of the economy chiefly by an increase in food production and also where economically feasible by the creation of other forms of employment. The carrying out of the programme depends on the relationship between prices received for exports and the prices paid for imports (particularly rice). The levels of these prices will determine the financial resources that will be available for capital investment. In recent years exports have directly contributed about one-third of gross national income and indirectly much more since many industries and occupations not producing directly for export are largely sustained by export income.

2. It is imperative that Ceylon maintain an optimum level of investment and high productive efficiency especially as the rate of net population increase is now about 2.8 per cent. per annum. Ceylon's population which was around 6.5 million in 1946 has risen to a little over 8 million.

3. The economy is experiencing a financial crisis which has been brought about by two distinct but closely related factors: the sharply unfavourable turn in the foreign payments position and the persistent overall budgetary deficit.

4. Ceylon's foreign exchange reserves declined from Rs. 1,240 million* in the first quarter of 1951 to only Rs. 670 million in August 1953 (equivalent to considerably less than six months imports)—a drop of almost 50 per cent.

5. This sudden change for the worse in Ceylon's reserve position can be traced primarily to external circumstances which were reinforced by internal factors.

6. On the external side, developments in world markets have caused a deterioration in the terms of trade more severe for Ceylon than for most other South East Asian countries. The index of the terms of trade improved from 77 in 1949 to 101 in 1950 and 104 in 1951, and then deteriorated to 75 in 1952.

* Rate of exchange Rs. 13.33 = £ 1 (Sterling.)
Rs. 4.78 = \$ 1 (Dollar.)

7. Although the terms of trade are no worse now than during the immediate post-war years, the abruptness of the decline from the high levels attained in 1950 and the first few months of 1951 hit Ceylon sharply. The export price index, after reaching a peak of 607 (1934—1938=100) in March and April 1951, came down to 378 in July 1952. While the import price index rose from 492 in March 1951 to 629 in July 1952. The average price of tea in 1952 was Rs. 1.75 per lb. compared with Rs. 1.94 per lb. in 1951 and Rs. 2.11 per lb. in 1950. The price of rubber was Rs. 1.38 per lb. in 1952, compared with Rs. 2.15 in the previous year. On the other hand, the price of rice, which is the most important import item was 38 per cent. higher in 1952 than in 1951.

8. The volume of imports also continued to remain at a high level for a number of months despite higher import prices and falling export prices. This phenomenon can be largely attributed to the fact that the internal money supply fell by only a third of the import surplus owing to the offsetting expansion in the Government sector.

9. The fall in export prices and the rise in import prices combined to bring about a drastic worsening in Ceylon's balance of payments on current account, from surpluses of Rs. 146 million in 1950 and Rs. 89.0 million in 1951 to a deficit of Rs. 445 million in 1952. This happened despite the fact that the volume of exports was maintained.

10. On the domestic side the payments deficit was accompanied, and to a certain extent induced, by expansionary forces within the economy, which in turn helped to sustain the high volume of imports. Owing to the Government's overall budgetary deficit and the inflationary financing thereof, the import surplus did not bring about a corresponding reduction in domestic incomes and the money supply. The Government's overall cash deficit for the fiscal year 1951-52 totalled Rs. 257.4 million. Of this very large deficit food subsidies alone were responsible for expenditure of Rs. 245.3 million.

11. Almost as significant as the size of the deficit and the factors underlying it, were the methods used to finance it and their influence on the money supply. The deficit of Rs. 257.4 million in 1951-52 was financed by net borrowing to the extent of Rs. 184.4 million, chiefly from the Central Bank, and by running down cash balances by Rs. 73.0 million.

12. The country's money supply in 1950 was approximately Rs. 900 million. In 1951 it was about Rs. 1,000 million—the highest in the history of the country. From the beginning of 1952 the money supply has been steadily falling and is now about Rs. 800 million.

External assets showed a record fall in 1952 of approximately Rs. 350 million. Ceylon's money supply consequently contracted, but less than proportionately, as pointed out earlier.

13. The Government's budget for the fiscal year 1953-54 was especially designed to stem the drain on the foreign reserves by reducing the budgetary deficit to a level of about Rs. 75 million, which was expected to be financed by borrowing from the public. This improvement was made possible mainly through the removal of the food subsidies from voted expenditure. Another economy in the current expenditure budget consisted of the abolition of the free mid-day meal for school children. Increased revenue will be obtained through an increase in electricity charges, postal rates, railway fares and through higher rates of direct and indirect taxation. The higher taxation rates were, however, accompanied by increased tax reliefs as an incentive to private investment. Some of these measures to prune expenditures and increase revenues were put into effect immediately in July 1953, thereby reducing the estimated deficit for the 1952-53 fiscal year to about Rs. 247 million as against the deficit anticipated earlier of over Rs. 300 million.

14. The implications for the development programme of the removal of the food subsidies are far-reaching. By directly relieving the current expenditure budget of a sum of Rs. 160 million it has enabled the Government to maintain a higher level of capital expenditure than it otherwise could have afforded. The removal of the subsidies will also have a salutary effect on the balance of payments. The elimination of the subsidy in effect means a reduction in real incomes. This will not only result in a readjustment of expenditure patterns to the lower level of incomes and a reduction in the demand for imports, but it may also reduce the rate of private saving.

Progress in Development

15. The volume of investment by the public authorities during the fiscal year 1952-53 has been higher than in the previous year, though lower than estimated in the previous Colombo Plan report and in the original budget presentation for 1952-53. There are several reasons for this. Certain schemes in the previous report have since been deferred until a more complete investigation can be made on their economic and technical soundness. The Rural Development Scheme has been operating successfully but at a lower level of public investment than originally envisaged in the Karachi Report.

16. Some of the aspects of development activity in the public sector are:

Agriculture.—The Agriculture Department has intensified its activities in (i) research and investigation, and (ii) extension services. A Paddy Lands Act designed to improve the system of land

tenure has been introduced in Parliament. A special effort is being made to increase the yield of rice per acre by better methods of cultivation and the use of fertilisers. The current yield per acre is about 30 bushels*. At present the domestic production of rice is about 270,000 tons, which is about one-third of requirements.

From 1947 to 1953 about 71,000 acres of new irrigable land were reclaimed. The current rate of reclaiming such land is about 20,000 acres per year. This is in addition to the land cleared for high-land cultivation. A considerable part of the reclamation of both types of land is under the Gal Oya Scheme. The response of villagers to the land development schemes is very favourable. Progress has also been maintained on the eleven major irrigation schemes referred to in the previous report.

Industry.—The pace of progress in the Government's industrial plans has been slower. The cement factory produces 70,000 tons a year at present. Its current capacity is 90,000 tons. With an additional kiln in operation, capacity will rise to 200,000 tons which equals the present volume of imports.

The reorganisation of the plywood factory will be completed by October this year. The product is to be improved by the use of a superior type of glue.

Progress has been made with plans for the vegetable oil factory and 80 per cent. of the machinery is now at the site, while 60 per cent. of the civil engineering works are in hand.

The paper factory is due for completion in 1954. Already 90 per cent. of the machinery has arrived and over 50 per cent. of the civil engineering work is in hand.

The new ceramic factory will be in production in the middle of next year. The war time factory has been closed.

Work is in progress on the factory for caustic soda, chlorine and D.D.T.

Progress in the fishing industry has been stimulated by Canadian aid in the form of equipment and personnel for research, investigation and the training of local fishermen. Towing small craft to fishing grounds has saved enough time to quadruple catches in some areas. In addition, the inland waters are being stocked with fresh water fish under a programme which will take 10 to 15 years to complete.

Transport.—The scheme for improving Colombo Harbour is well under way. One new quay is now complete.

* The lower figure given for Ceylon previously were partly due to under-reporting.

The road building programme has concentrated on improving the existing 11,000 miles of roads, including the construction of new bridges in the place of very old ones.

The main work on railways in the past three years has been by way of improvements, replacements and renewals.

Plans are being prepared for the improvement of the Colombo Air Port.

Power.—Stage I of the Hydro-Electric Scheme at Norton Bridge is complete with a capacity of 25,000 k.w. of power, and will replace some of the old thermal plants. The International Bank for Reconstruction and Development has been approached for a loan to meet the foreign exchange costs of Stage IIA which will bring in an additional capacity of 25,000 k.w.

Social Development.—Ceylon's comprehensive plans for social development are being carried out but in the present financial crisis they may be slowed down. The free education scheme has, however, been maintained and free health services continued. The university buildings are being completed. Rural Development plans have worked out satisfactorily, but the pace has been slow because of the financial position. Response on the part of the villagers in offering free labour and land for constructing local capital works has been very good.

Financing of the Development Programme

17. The following table indicates the progress of development expenditure by the public authorities:—

	(In million of Rs.)		
	Accounts 1951-52	Revised Estimates 1952-53	Budget Estimates 1953-54
In revenue Budget			
In Capital Budget	53.4	75.6	78.9
Of Public Enterprises not included in Government Budget	205.7	220.0	264.5
	11.8	7.4	11.6
	270.9	303.0	355.0
Ratio of development expenditure to total expenditure of public authorities	21.0%	25.8%	33.1%

The details of expenditure are given in the table at the end of this Chapter.

Loan fund and loan scheme expenditure—by far the most important single constituent of the Government's capital budget was about Rs. 225 million in 1952-53 and is estimated at Rs. 246 million for 1953-54.

18. An approximate analysis of the domestic and foreign resources likely to be available for financing the planned public development outlay of Rs. 355.0 million for 1953-54 is shown below:—

	(Rs. Million)
1. Surplus on Revenue Account	154.9
2. Resources set apart in Revenue Account for development	78.9
3. Domestic Borrowing :—	
(i) Long-term loans	80
(ii) Central Bank Advances	15
	95.0
4. Miscellaneous receipts on Capital Account (net) exclusive of Defence expenditure	(—) 9.0
5. Use of Cash Balances and Investment Reserves	15.2
6. Colombo Plan Capital Assistance	20.0
	<hr/> 355.0 <hr/>

19. The most noteworthy feature of these figures is that roughly two-thirds of total development expenditure is intended to be financed out of the current surplus of the Government. This can be attributed chiefly to the removal of the food subsidies. The size of the development programme in the years ahead will depend largely on the extent to which current revenue can be increased, expenditure under other heads reduced, and a surplus arrived at on current account.

20. A recent event which bears on the financing of the country's development programme is the decision of the monetary authorities to fall in line with the trend towards higher interest rates. The Central Bank raised its advances rate to 3 per cent. with effect from 23rd July 1953. The rise in Bank rate was a more or less inevitable readjustment to the rise in market rates. In view of the need to raise substantial internal loans such a change of policy was unavoidable.

21. The situation on the capital market has been generally unfavourable during the past twelve months or so. In 1950 and 1951 Government raised two loans of Rs. 146 million and Rs. 104 million. Two more domestic loans totalling Rs. 100 million were raised in 1952 while a further Rs. 80 million loan was floated and raised in August 1953. Out of the Rs. 730.5 million outstanding public debt at the end of August 1953 only Rs. 19.5 million was held by individuals whereas Rs. 260.1 million was held by Central and Commercial banking institutions.

Private Development Activities

22. Little information is available on private investment expenditure in Ceylon. Gross private domestic investment in 1952 has been estimated at about Rs. 440 million.

The new tax incentives are expected to stimulate private savings and capital formation. These measures may be broadly classified as follows:—

1. Higher depreciation allowance for the first year.
2. Relief to those who incur expenditure for the purpose of planting tea, coconut and paddy on any land not previously planted.
3. The full cost of replanting is to be allowed even when the replanting is with a different crop.
4. Relief to certain approved industrial undertakings.
5. Relief to those who invest in Government sponsored corporations.

23. It is expected that the establishment of the proposed Development Finance Corporation and the Applied Research Institute will stimulate private investment. The Government furthermore welcomes foreign private capital, particularly for investment in development projects which will strengthen the economy. Foreign investment is necessary to meet the deficiency in domestic savings.

Planning Development

24. On the recommendations of the International Bank Mission, the Government established a Cabinet Planning Committee and a Planning Secretariat. The recommendations of the Bank Mission on lines of future development in Ceylon and the possible programmes that may be undertaken are now being examined by the appropriate authorities.

The Government has decided, on the advice of the leader of the Bank Mission, whose services as a consultant were recently made available by the United Kingdom under the Colombo Plan, to formulate a development programme estimated to cost Rs. 1,500 million. The rate of implementation will depend on the availability of resources. As a working basis the Government is taking into consideration the recommendations contained in the report of the Bank Mission. It is hoped that the Budget for 1954-55 will reflect the inauguration of Ceylon's new development plan.

External Assistance

25. Capital Aid.—The development of fisheries has been undertaken with capital aid from Canada. Canada is also assisting rural electrification in the Gal Oya development area by providing Ceylon with the necessary transmission lines, substations and other equipment.

Capital aid from Australia is being utilised to build and equip one Anti-Tuberculosis Clinic in each of the provincial capitals. Australia

has given 190 tractors, 25 heavy-duty trucks as well as workshop equipment for schools.

New Zealand is financing the dry farming scheme at Meha Illupalama and has also provided Ceylon with 7 complete sets of dental equipment for school dental clinics.

For 1953-54 Canada has agreed to build and equip a polytechnic school for training the lower and middle grade technical skills, to finance rural road construction, to provide 15 agricultural maintenance workshops, 2 diesel locomotives, 25 portable pumping sets with sprinkler equipment and a well boring machine, equipment for pest control work and to assist further in the development of the fisheries project. It is expected that negotiations for capital aid from Australia and New Zealand for 1953-54 will commence shortly.

26. Technical Assistance.—The Government of Ceylon has utilised the facilities of the Technical Co-operation Scheme, the United Nations Technical Assistance administration and of the other Specialised Agencies. Details are given in the annexure to this Report.

In addition, Ceylon received equipment under the Technical Co-operation Scheme, details of which are mentioned in the report of the Council for Technical Co-operation annexed to this Report.

27
CEYLON

Development expenditure in the public sector, 1951-54

	Actual 1951-52	Revised Estimate 1952-53	Budget Estimate 1953-54
(In million Rupees)			
Agriculture	66.3	95.4	103.1
Multipurpose Projects	61.4	48.0	30.0
Forestry	0.5	0.6	0.3
Fisheries	0.8	6.7	2.6
Transport and Telecommunications (a)	70.0	100.5	88.0
Fuel and Power (b)	9.9	45.6	15.1
Industry	12.8	70.4	29.6
Social Capital (c)	38.9	73.6	74.3
Other	10.3	17.5	12.0
TOTAL	270.9	458.3(d)	355.0

(a) Includes expenditure from Railway Deferred Maintenance Reserve.

(b) Includes expenditure from Electrical Department Reserves Extensions and Renewals Fund.

(c) Includes expenditure from National Development Reserve on University Capital Works.

(d) Includes the figure for the *original estimate* of Loan Fund and Loan Scheme expenditure. The total volume of development expenditure for 1952/53 mentioned in the chapter (i.e. Rs. 303.0 million) however, includes the most accurate figure available so far on Loan Fund and Loan Scheme expenditure likely to be realized. Hence, the discrepancy between the two sets of figures.

CEYLON

Balance of Payments—1951-52 and 1952-53

	Actual 1951-1952			Actual(a) 1952-53 (9 months)		
	\$	£	Total	\$	£	Total
(All figures in million Rupees).						
Payments : Imports (c.i.f.)						
Rice	31.2	172.6	253.6	26.7	79.4	156.2
Other food and feeding stuffs	37.6	327.8	462.6	27.7	278.4	68.6
Steel and non-ferrous metals	1.8	45.2	79.3	1.2	37.7	17.2
Chemicals (including fertilisers)	2.8	23.6	54.3	0.8	27.2	9.8
Machinery and equipment	13.8	42.8	62.4	10.6	47.1	9.1
Vehicles	15.5	84.7	108.3	6.3	56.5	5.3
Petroleum and products	8.2	79.8	133.1	5.5	52.0	42.1
Other industrial raw materials	10.5	27.5	39.8	5.0	37.4	1.7
Manufactured consumer goods and others	24.7	184.1	314.4	10.3	142.8	72.2
Total imports (c.i.f.)	166.6	1,088.0	1,660.3	106.4	837.5	418.3
Invisible payments (net)	12.4	222.5	248.6	14.5	223.0	18.4
Total Payments (b)	194.4	1,596.1	2,141.1	168.2	1,392.0	461.7
Receipts : Exports (f.o. b.)						
Tea	125.2	486.6	747.7	110.5	453.4	82.3
Rubber	87.0	129.6	437.2	39.5	38.1	197.5
Coconut products	0.4	76.2	155.4	15.6	32.5	65.5
Other	19.1	84.4	286.2	24.1	84.8	141.8
Total Exports (c)	231.7	776.8	1,626.5	189.7	608.8	487.2
Total Receipts (b)	234.6	1,110.0	1,825.9	195.6	938.8	470.0
Current Account (surplus or deficit)	+40.2	-486.1	-315.2	+27.4	-453.2	+8.3
						-417.5

(a) Figures relate to October, 1952—July, 1953 (inclusive).

(b) Figures for total payments and total receipts are from the Balance of Payments Division of the Central Bank of Ceylon, while the figures for total imports and exports are from the Ceylon Customs Returns. The discrepancy in the figures for the current account surplus or deficit is due to the fact that the Ceylon Customs figures are based on the physical movement of goods while the Central Bank figures are based on actual payments and receipts of foreign exchange.

(c) Re-exports are estimated.

CHAPTER V

INDIA

Economic and Financial Situation

The inflationary pressures which existed in the Indian economy during 1950-51 have given place to a downward adjustment in money supply (especially since the beginning of 1953) coupled with an increase in agricultural and industrial production. Prices which had receded sharply in 1952—moved generally upwards in the first half of 1953. Nevertheless there are no present indications of a re-emergence of inflationary conditions. In fact, the employment situation has become difficult, especially in the trade and services sectors; and output in certain industries has for some time been below capacity.

2. The disinflationary measures adopted in 1951-52 and the steps taken concurrently to augment supplies through higher production and larger imports were described in the last Report of the Consultative Committee. These measures proved an important factor in halting inflation, and prices came down steeply in the initial months of 1952. The general wholesale price index, which had touched a peak of 458 in April 1951, came down to 367 by May 1952, but by March 1953 it had risen again to 385. Thereafter, it rose rather more sharply to 408 by the end of August 1953. In September it fell to 404 which is about 2 per cent. above the pre-Korean level of 396.

3. The process of disinflation during 1951-52 was helped greatly by increased production in certain fields. According to the latest available estimate, the output of foodgrains in 1952-53 was more than 5 million tons (about 10—11 per cent.) above that in 1951-52. In the industrial sector, despite sectional deficiencies as for example in certain light engineering industries, output as a whole registered a rise. The interim index of industrial production (base 1946=100) which had risen from an average of 105.2 in 1950 to 117.2 in 1951 rose further to 128.5 in 1952 and to 132.6 and 135.7 in the first two quarters of 1953 respectively.

4. Concurrently with these changes there was a shift in the balance of payments position. During the fiscal year 1951-52 the terms of trade were less favourable. The value of exports was falling during this period and imports had to be stepped up. Consequently there was a large current account deficit of Rs. 1,536 million.* The

* Rate of exchange
Rs. 13.33 = £1 Sterling
Rs. 4.78 = \$1 (Dollar).

financing of this deficit was made possible by the U.S. wheat loan and by drawings on the accumulated sterling balances in accordance with the Indo-U.K. Financial Agreement. This large import surplus mopped up a considerable amount of excess purchasing power.

5. In the second half of 1952, the large balance of payments deficit of the previous year was replaced by a surplus. The reduced purchasing power in the community together with the higher output and larger stocks which had accumulated in the country tended to reduce imports. Both private and government imports declined sharply from Rs. 2,983 million and Rs. 1,504 million respectively in the first six months of 1952 to Rs. 2,105 million and Rs. 831 million respectively in the second half. Despite a fall in export receipts there was a sizeable balance of payments surplus. Compared to the current account deficit of nearly Rs. 808 million in the first half of 1952, there was a surplus of Rs. 434 million in the period July—December 1952. For the fiscal year 1952-53, the surplus was of the order of Rs. 551 million.

6. This improvement in the balance of payments position may prove to be only temporary. Merchandise imports are likely to increase, as stocks accumulated earlier go down. The considerable improvement recorded in invisibles in 1952-53 as compared to the previous year was due to a sharp—and presumably temporary—decline in foreign travel and to an increase in receipts under certain ‘unclassified’ heads. As the initial effect of the sharp break in prices in April 1952 wears out, there should be an increase in private investment expenditure with a concomitant rise in the demand for imports. While it is difficult to forecast the net result of these varying factors, there are already signs of a reversal in the balance of payments trends. The surplus on external account declined from Rs. 320 million in the last quarter of 1952 to Rs. 171 million in the first quarter of 1953, and preliminary estimates for April—June 1953 show a deficit of Rs. 220 million.

7. The change in the economic situation described above has in its turn brought about changes in budgetary policy and resources. Against the background of high prices and inflation in 1951-52, budgetary policy had in the main to be anti-inflationary. This imposed some restraint on government spending. On the other hand, measures such as increases in export and excise duties and higher railway fares augmented government revenues. Abnormal customs receipts and the sale of U.S. wheat further added to government receipts. In the event, the Central and the State Governments together had, despite a moderate stepping up of development expenditure, a budgetary surplus of Rs. 68 million in 1951-52. But in 1952-53, the

budgetary position altered. With the decline in world prices, export duties, especially duties on hessian and sacking, were reduced in order to maintain the level of exports. This reduction, together with the fall in the volume of foreign trade, substantially reduced customs revenue. The slackening of economic activity affected adversely receipts from income and super-taxes collected by the Central Government and from sales taxes levied by State Governments. Receipts of the Railways also declined. While all these tended to keep down revenue, public outlay on development schemes was stepped up substantially. Also, to provide relief to certain areas in which conditions of acute food scarcity existed, State Governments had to incur additional expenditure and to remit or postpone the collection of land revenue. The excess of outlay in the public sector over receipts in 1952-53 is estimated at around Rs. 1,220 million. Taking into account the surplus of Rs. 68 million in 1951-52, there was thus an estimated shortfall of about Rs. 1,150 million in the public sector over the two year period 1951-53. However only a small part of this shortfall represented 'deficit financing' in the sense of a net increase in money supply in the hands of the public.*

8. For the current fiscal year 1953-54 the budget estimate of the shortfall in receipts comes to about Rs. 1,858 million of which Rs. 1,380 million is anticipated at the Centre and Rs. 478 million for the States. This estimated increase in the shortfall arises from the fact that while budgetary resources are expected to be slightly higher than in 1952-53, a large increase in development outlay is envisaged. The deficit is to be covered partly by drawing down Government's cash balances, but largely through a net issue of Treasury Bills by the Central Government amounting to Rs. 1,100 million, and through utilisation of investment reserves of the State Governments. Some of the Bills issued or securities sold will probably be absorbed by the private sector and reduce 'deficit financing' in the sense of borrowing from the Reserve Bank or running down of cash balances. Moreover in the budget estimates for 1953-54 no credit was taken for any additional grants or loans from abroad that might accrue during the current year. Since the presentation of the budget, assistance of about Rs. 437 million has been authorised. To the extent that this amount and any further assistance that is forthcoming gets reflected in the Government accounts during the year, the budgetary deficit will be smaller than indicated above.

*The actual reduction in the cash balances of the Centre and of the States over the two-year period was about Rs. 1,020 million. Part of this reduction was on account of transaction in securities between Government and Reserve Bank in consequence of which there was a reduction of about Rs. 400 million in Government indebtedness to the Reserve Bank. Allowing for this, and for the sizeable increase in the holding of food stocks by State Governments, mainly out of imports, the net creation of new purchasing power due to internal budgetary operations was relatively small.

9. Development expenditure in the first two years of the Colombo Plan aggregated Rs. 6,441 million (including Rs. 600 million on current depreciation of Railways). Details regarding resources available in the two years 1951-52 and 1952-53, and also the estimates for 1953-54, are given below:

TABLE I
Sources for Investment in the Public Sector

	Accounts ¹ 1951-52	Revised Estimate, 1952-53	Budget Estimate, 1953-54
(Rs. million)			
1. Internal Financial Resources			
(i) Current surplus (1)*	2,595	1,100	1,480
(ii) Long term loans (net)	—227	139	—26
(iii) Small Savings (net)	486	544	557
(iv) Miscellaneous receipts on capital account (net) (2)**	—488	77	285
Total (i to iv)	2,366	1,860	2,296
(v) Floating debt (Treasury Bills, ways and means advances etc.)	—325	75	1,307
(vi) Use of Government cash balances and invest- ment reserves	257	1,147	551
Total (v) and (vi)	—68	1,222	1,858
2. Budgetary credits against External Assistance			
(vii) Loans	576	308	— 21
(viii) Grants	41	136	297
Total of (vii) and (viii)	617	444	276
3. Total Resources available for Public Expenditure on Development.			
(i to viii)	2,915	3,526	4,430

* Receipts on Revenue Account (excluding inter-account transfers) minus 'non-developmental expenditure' (including 'ordinary' expenditure under developmental heads like education, medical and public health, civil works, etc.)

** Net receipts after deducting 'non-developmental expenditure' on Capital Account (such as Capital outlay on Defence).

Measures are being taken to improve budgetary resources in the remaining years of the Plan in order to facilitate the achievement of expenditure targets without an undue measure of deficit financing. In the field of taxation, State Governments are endeavouring to augment their revenues by an increase of irrigation rates, the imposition of betterment levies, an increase in sales tax on luxury items, a revision of stamp duties, etc. Some addition to State Governments resources is expected from estate duties, legislation for the levy of which has recently been passed. At the Centre, tax revenue is likely to benefit from the increase in the tempo of economic activity in the coming years.

10. While the increase in revenues has not yet been upto expectations, there has been some recent improvement in the Government borrowings from the market. Subscriptions to the first series of Government of India National Plan Bonds issued in June this year amounted to Rs. 753 million, of which Rs. 234 million was in cash (the remainder in the form of conversion of 3 per cent. 1953—55 loan). More recently, various State Governments have been able to borrow from the market nearly Rs. 330 million. This improvement in the capital market offers grounds for optimism. In the field of small savings, collections aggregated Rs. 748 million in the period 1951—53 and efforts are being intensified through official as well as non-official agencies to increase them further.

11. Adequate data are not available for estimating with any degree of precision, aggregate domestic savings and investment in 1952-53; but it seems probable that, despite some increase in building activity, investment in trade and in certain engineering and small scale industries diminished. Imports of machinery were smaller, indicating a lower rate of fixed capital investment. On the whole therefore, there appears to have been some reduction in private investment, which has reflected itself in the recent rise in unemployment. This decline was due to the emergence of a recessionary outlook related in part to international factors.

12. Although development expenditure in the public sector has been stepped up, it needs to gather greater momentum if targets are to be reached within the Plan period. The required acceleration of development outlay in the coming years will in itself stimulate employment. There is need at the same time for some adjustments in the Plan in order to arrest and reverse the recent untrend in unemployment. The lines along which these adjustments are to be made and the extent to which total outlay may be raised are at present under consideration. Decisions in these matters are being taken now.

13. To the extent that increased employment yields more consumable goods and services, an increase in outlay may not have adverse repercussions on prices or consumption. But with low levels of production and low incomes prevalent in the country, there is danger of generating inflationary pressures. The prime objective in view is to stimulate investment both in the public and the private sectors; adjustments in the development programme, however, will have to take into account the possibilities of augmenting supplies of consumer goods, especially of necessities, from domestic sources or from imports.

Development Programme

14. At the last meeting of the Consultative Committee at Karachi, India's Six Year Development Plan was revised on the basis of the Draft Outline of the Five Year Plan, and projected outlay was increased from Rs. 18,395 million to Rs. 23,337 million. The Five Year Plan has since been finalised, and this has necessitated a further revision of the six-year targets.

15. The outlay now proposed for the five-year period is Rs. 20,690 million, an increase of Rs. 2,760 million as compared to the Draft Outline which, it will be recalled, gave details of schemes in respect of only Rs. 14,930 million as against the total outlay of Rs. 17,930 million. The Five Year Plan now gives details regarding the total outlay. Some of the increase in anticipated expenditure results from revisions in cost estimates of certain schemes and from presentational changes, but the greater part is on account of needed additions to planned outlay in certain sectors—for example, community development and the national extension service, minor irrigation, and multi-purpose schemes, transport and the promotion of industrial development.

16. On the basis of the final Five Year Plan, outlay under the Six Year Development Plan for the public sector is estimated at Rs. 26,440 million (inclusive of the outlay during the period 1951—57 on current depreciation of Railways estimated at Rs. 1,800 million). This estimate is, of course, tentative as regards the sixth year. The table below gives the breakdown of the revised programme under major heads of development as compared with the programmes shown in the previous reports. The pattern of priorities is broadly the same as in the earlier versions.

TABLE II

(Rs. million)							
	Programme as given in the original Colombo Plan		Programme as given in the Karachi Report on Colombo Plan		Revised programme based on the first version of the 5-Year Plan*		
	Cost	%	Cost	%	Cost	%	
1. Agriculture & Irrigation	3,574	19.4	3,984	17.1	6,280	23.7	
2. Multipurpose Projects (Irrigation & Power)	2,505	13.6	2,284	9.8	3,170	12.0	
3. Transport and Communications	7,027	38.2	6,516	27.9	7,720	29.2	
4. Fuel & Power	576	3.2	1,443	6.2	1,520	5.7	
5. Mining and Industry	1,800	9.7	1,240	5.3	2,020	7.7	
6. Social capital & Miscellaneous	2,913	15.9	4,270	18.3	5,730	21.7	
7. Unallocated . . . . .	..	..	3,600	15.4	..	..
Total	18,395	100.0	23,337	100.0	26,440	100.0	

17. While it is not possible to set out the targets of output and other achievements for the sixth year, the following table, showing those for the Five Year Plan are broadly indicative:

TABLE III

	1950-51 (base year)	1955-56 (5-Year Plan)
1. AGRICULTURE—		
Food grains† (million tons)	52.7	61.6
Cotton (million bales)	2.97	4.22
Jute (million bales)	3.30	5.39
Sugarcane (million tons)	5.6	6.3
Oilseeds (million tons)	5.1	5.5
2. IRRIGATION AND POWER—		
Major irrigation (million acres)	50.0	8.5†
Minor irrigation (million acres) . . . . .	..	11.2†
Electrical energy (installed capacity in million kws.)	2.3	3.5
3. INDUSTRY—		
Iron and steel :—		
(i) Pig iron available for foundries (million tons)	0.35	0.66
(ii) Finished Steel (million tons)	0.98	1.37
Cement (million tons)	2.69	4.80
Aluminium (thousand tons)	3.7	12.0

*Estimates for the sixth year are tentative.

†Including gram and pulses. Output in 1949-50 (which was used as the base for fixing the target for 1955-56) was 54.0 million tons.

‡Additional land to be brought under irrigation during 1951-56.

	1950-51 (base year)	1955-56 (5-Year Plan)
Fertilisers :—		
(i) Ammonium sulphate (thousand tons)	46.3	450.0
(ii) Superphosphate (thousand tons)	55.1	180.0
Locomotives (Number)	..	150.0
Machine tools (Numbers in thousands)	1.1	4.6
Petroleum refining :—		
(i) Liquid petroleum (million gallons)	N. A.	403.0
(ii) Bitumen (thousand tons)	N. A.	37.5
Cotton manufactures :—		
(i) Yarn (million lbs.)	1,179	1,640
(ii) Mill cloth (million yards)	3,718	4,700
(iii) Handloom (million yards)	810	1,700
Jute manufactures (thousand tons)	892	1,200
Agricultural machinery :—		
(i) Pumps, power driven (thousands)	34.3	85.0
(ii) Diesel engines (thousands)	5.5	50.0
Bicycles (thousands)	101.0	530.0
Power alcohol (million gallons)	4.7	18.0
4. TRANSPORT—		
Shipping (tonnage) :—		
(i) Coastal (GRT thousands)	211.0	315.0
(ii) Overseas (GRT thousands)	173.5	283.0
Roads :—		
(i) National Highways (thousand miles)	11.9	12.5
(ii) State Roads (thousand miles)	17.6	20.6
5. EDUCATION*—		
Pupils in :—		
(i) Primary Schools (million)	15.1	18.8
(ii) Junior Basic Schools (million)	2.9	5.3
(iii) Secondary Schools (million)	4.4	5.8
(iv) Industrial Schools (thousand)	14.8	21.8
Other technical and vocational training schools (thousands)	26.7	43.6
6. HEALTH—		
Hospitals (beds in thousands)	106.5	117.2
Dispensaries (number) :—		
Urban	1,358	1,615
Rural	5,229	5,840
7. DEVELOPMENT INSTITUTIONS—		
Panchayats (Village Councils) (thousands)	55.1	69.1
Co-operative societies† :—		
(i) Credit (thousands)	87.8	112.5
(ii) Sale and marketing (thousands)	14.7	20.7
(iii) Multipurpose (thousands)	31.5	40.5
(iv) Lift irrigation (Numbers)	192.0	514.0
(v) Co-operative farming (Numbers)	352.0	975.0
(vi) Others (thousands)	27.3	35.8

* These estimates do not cover (except in respect of industrial schools), Hyderabad, Rajasthan, Ajmer and Vindhya Pradesh. In some cases, data for a few States (e.g., Uttar Pradesh in respect of primary schools and Madhya Pradesh in the case of junior basic, and secondary schools) are also not covered in these estimates.

† The estimates here exclude data for Punjab, Orissa, Hyderabad, PEPSU as well as certain small States (part 'C' States).

Finance of the Six Year Programme

18. In the report submitted last year internal resources available during the six year period 1951-57 were estimated at Rs. 15,510 million, as compared to estimated outlay of Rs. 23,337 million. There was thus a gap of Rs. 7,828 million to be covered by external assistance and/or by deficit financing. Internal resources likely to be available to the public sector were reassessed by the Planning Commission in the preparation of the final report. After allowance for some improvement in government revenues on account of increased economic activity and for more intensive mobilisation of finances, especially by the States, and after projection of the five-year estimates to the sixth year, domestic resources over the period 1951-57 are now expected to be of about Rs. 17,330 million or Rs. 1,820 million more than the estimates presented in the last year's report as compared with the proposed outlay of Rs. 26,440 million. This leaves a gap of Rs. 9,110 million. A breakdown of domestic resources likely to become available for the six-year programme is shown below:—

TABLE IV

Estimate of domestic resources for the Six Year Plan

	Estimate given in the Karachi Report	Revised Estimate
	(Rs. million)	
(a) Current revenues of Central and State Governments	10,740	10,920
(b) Net borrowings from the public	1,370	1,450
(c) Small savings and unfunded debt }	3,400	3,350
(d) Other receipts on capital account }		1,610
Total—Domestic resources	15,510	17,330

Progress of the Plan

19. Of the Rs. 6,441 million development expenditure in the public sector for the two year period 1951-53, Rs. 2,915 million were incurred in 1951-52 and Rs. 3,526 million in 1952-53. Details of expenditure under the main heads of development are given at the end of this Chapter.

20. Over the same period, resources mobilised internally through current surpluses, loans, small savings and other miscellaneous receipts aggregated Rs. 4,226 million. According to budget estimates, these were augmented to the extent of Rs. 1,061 million by

external grants and loans*. There was, as mentioned earlier, a short-fall in resources amounting to about 1,150 million, which was covered by the sale of securities and drawing down of cash balances (Table I paragraph 9).

21. A little less than 25 per cent. of the proposed outlay of Rs. 26,440 million over the six years was incurred in the first two years of the Plan. For 1953-54, an outlay of Rs. 4,430 million (or about Rs. 900 million more than in 1952-53) is projected. Against this, internal resources are estimated at Rs. 2,296 million. The budget also takes credit for Rs. 276 million on account of the unutilised portion of foreign grants and loans. This leaves a deficit of Rs. 1,858 million. In recent months there has been some improvement in borrowing. Additional external assistance of the order of Rs. 437 million has also been authorised. Of this latter a part might become available for augmenting the budgetary resources during the fiscal year. Even so deficit financing during the current year is likely to be higher than during 1952-53.

External Assistance—General Considerations

22. In the two years 1951-53, besides the resources raised by taxation, borrowing, etc. about Rs. 1,150 million of the outlay was covered by sale of securities and running down of cash balances. A further Rs. 1,120 million was financed by external assistance utilised in the same period. Sterling balances which can be released and utilised over the remaining period of the Six Year Plan are about Rs. 2,300 million. Thus these three items taken together aggregate Rs. 4,570 million applicable against the total estimated gap of Rs. 9,110 million (See para 18) leaving still a gap of about Rs. 4,540 million. Against this in turn can be off set approximately Rs. 1,185 million representing the undrawn portion of external assistance made available. The residual gap therefore is of the order of Rs. 3,355 million.

23. This residual gap is a gap in the "total resources" sense, representing the amount by which the financial resources already in hand and those expected to be secured hereafter from domestic sources fall short of the estimated outlay in the public sector of the Plan. This residual gap does not indicate the amount of foreign exchange expenditure yet to be incurred directly on projects in the public sector of the Plan. Indeed, the total expenditure on foreign equipment required for the projects would not amount to more than one-fifth of the total Plan outlay. Furthermore, the amount of external assistance already received in the form of developmental goods and the volume of equipment already received and on order bring down still further the remaining direct foreign exchange needs for

*The utilization of external grants and loans amounted to Rs. 1,120 million according to later estimates.

the Plan. The need for external assistance cannot of course be inferred from the foreign exchange requirements of the Plan. In view of the inadequacy of internal resources in relation to needed investment, a large volume of external assistance in various forms is needed to ensure that total investment (both public and private) reaches Plan targets. The unemployment problem referred to in earlier paragraphs suggests that measures to bring about a further increase in the rate of investment are desirable. The fact that production targets in some lines have already been achieved or almost achieved reflects in the main fuller utilisation of capacity formerly idle; it does not establish the adequacy of current investment levels. Large further provision of equipment and services for public sector projects will not in itself enable these investment levels to be achieved. The extent to which these levels can be reached will depend to a considerable degree upon the volume, the form and the use of external assistance received.

24. Inevitably, external assistance must come in the form of import surpluses which will be reflected in balance of payments deficits. Despite the surplus in India's balance of payments in 1952-53, it is not evident that there has been any permanent contraction in the import requirements of the economy relatively to export potentialities. As mentioned earlier, circumstances which led to that surplus were some-what special; and indeed there have already been indications of a reversal of the trend. Further the very pace of development expenditure required in the remaining years of the Plan (which will have to be substantially above the average of the last two years) will require not only an expansion in developmental imports such as industrial raw materials but will also, by enlarging incomes, necessitate an expansion of general imports in many lines, including foodgrains, if prices and costs are to be kept within the limits envisaged in the computation of Plan outlay. By and large, therefore, it appears that there may be in the remaining years of the Plan, deficits of a sizeable order, which, as was noted before, are a necessary accompaniment of absorption of the external assistance required for the Plan.

External Assistance Programmes

25. The total external assistance authorised during the period March 1951 to September 1953 and the undrawn portion of loans sanctioned prior to 1951-52 together amounted to Rs. 2,305 million. According to latest estimates, Rs. 1,120 million was utilised in the period 1951-53. The balance of about Rs. 1,185 million remains available for use in the coming years. The following paragraphs give a brief description of external assistance authorised by various countries and agencies during the period March 1951—August 1953.

Australia.—During 1952-53, the Australian Government agreed to contribute £(A) 3 million as compared to the first year's contribution of £(A) 4·2 million under the Colombo Plan. This amount of £(A) 3 million included the carryover of £(A) 500,000 from the last year's contribution which could not be allocated in time for the procurement of equipment. The Australian Government were not in a position to supply wheat in the second year and intimated that the contribution could be utilised only for the procurement of manufactured goods of Australian origin. The amount has been utilised in part to meet the capital requirement of the Tungabhadra Irrigation Project and the Ramagundam Electrical Project in Hyderabad.

Canada.—For the two year period 1952-53 and 1953-54, it appears likely that Canadian Government assistance will total to approximately \$27·4 million as compared with \$15·0 million in the first year. Proceeds amounting to \$10 million from the sale of wheat supplied in the first year are being utilised for financing a part of the rupee expenditure on the Mayurakshi Project. Recent Canadian contributions include an additional \$5 million worth of wheat, boilers for the Chittaranjan Locomotive Works and electrical equipment for the Mayurakshi project. Equipment and materials are also expected to be supplied for certain other development projects.

New Zealand.—The New Zealand Government has agreed to provided £1 million to be utilised to meet a part of the capital cost of the All India Medical Institute of which £ 250,000 have been drawn.

United Kingdom.—The Indo-U.K. Financial Agreement relating to the withdrawal of sterling balances, referred to in last year's report, has now been confirmed. In 1952-53, owing to the various exceptional factors mentioned earlier, the normal release of £ 35 million from sterling balances was not utilised. This, together with the earlier accumulations and agreed future annual releases is available for use in the remaining period.

United States.—Apart from the wheat loan of 2 million tons, the U.S. Government has extended aid under the Indo-U.S. Technical Co-operation Agreement. In January 1952, the U.S.A. agreed to contribute \$ 50 million and in November 1952, committed a further \$38·35 million, all of which had been allocated by the 30th June, 1953. This assistance is being used for the construction of tubewells, import of fertilizers as also of iron and steel for agricultural purposes, and equipment for marine fisheries, community development projects, malaria control and river valley schemes. In September 1953, the U.S. Government authorised \$77·1 million as assistance

for 1953-54, bringing the total U.S. assistance to \$ 165.45 million in the first three years of the Plan. This does not include approximately \$18.75 million for items such as salaries and transportation of technicians, training of Indian technicians abroad and certain demonstration equipment.

Ford Foundation.—In January 1952, the Ford Foundation agreed to extend assistance of the order of \$1.2 million for financing part of a scheme for establishing training centres for rural extension work and intensive village development projects. A further \$1.9 million was allotted by the Ford Foundation in August 1952 for additional training centres and another \$230,000 for starting work on evaluation of the community development programme. In July 1953 another \$1 million was provided by the Ford Foundation, for establishment of training centres in social education and village sanitation.

Norway.—The Government of Norway has agreed to make available, through the United Nations, a sum of 10 million Norwegian Kroner (Rs. 6.7 million) for an agreed programme of development projects. In January 1953, the Norwegian Government authorised the first instalment of Rs. 2.7 million, for undertaking a joint fisheries development project in Travancore-Cochin State.

International Bank.—Out of the undrawn balance at the beginning of 1951-52, which was taken into account in the Six Year Development Plan, withdrawals during 1952-53 amounted to \$6.2 million. The Bank has authorised further loans of \$19.5 million to the Damodar Valley Corporation, and \$31.5 million to the Indian Iron and Steel Co.

Technical Assistance.—Under the Technical Co-operation Scheme, in addition to the provision of technicians and training facilities, several Commonwealth countries have provided or agreed to provide equipment of a total value of about Rs. 3 million for technical institutions and research centres. India has also been making use of facilities extended by the United Nations and its specialised agencies and under the Point Four Programme. Experts have been made available to India in such fields as agriculture and allied subjects, construction of dams and hydro-electric projects, medical and public health, social education, labour problems and survey of mineral resources. Details are contained in the Annexure to this Report.

Progress on Important Projects

26. Considerable progress was achieved during this period on various programmes of agricultural development. During 1951-52

the minor irrigation programmes have benefited an additional area of 2050 thousand acres. The Central Tractor Organisation has reclaimed 250 thousand acres during 1951-52 and another 260 thousand acres in 1952-53; some progress in this direction has also been made by State Tractor Organisations.

27. In the field of community development, work was started in October, 1952 on 55 community projects, each covering about 300 villages. In October, 1953, 55 additional blocks were taken up and with this a total of 30,000 villages or an equivalent of 300 blocks of 100 villages each, are being covered. The programme of community development is to be widened progressively in order to provide the benefits of a comprehensive national extension service to as large a part of the country as possible. In pursuance of this scheme, it is proposed to take up extension work in 180 development blocks (of 100 villages each) during 1953-54, 270 blocks during 1954-55 and 450 additional blocks during 1955-56. The scheme envisages that by 1955-56 about 120,000 villages with nearly one-fourth of the total rural population will have come under an integrated programme of community development and national extension service. A notable feature of the community development programme is the extent and diversity of voluntary contribution by villagers. During the period October 1952 to June 1953, their contribution (in labour as well as cash) has been almost equal to the total expenditure incurred by Government, being Rs. 10.9 million as against Government outlay of Rs. 11.8 million.

28. **Irrigation and Power Schemes.**—The total expenditure on irrigation and power projects during these two years amounted to Rs. 1,900 million, as against the target of Rs. 2,060 million for this period. These projects have so far benefited 1.4 million acres of land. In the sphere of power generation, the two-year target has in fact been exceeded. The additional installed capacity, including that from the Bokaro Thermal Power Station of the Damodar Valley project, was 315,000 kws. as against the target of 239,000 kws. The progress made on some of the important multipurpose projects is described below:—

Bhakra-Nangal Project.—This project consists of (1) The Bhakra Dam across the Sutlej, (2) The Nangal Dam, (3) The Nangal Canal, (4) Two Nangal Power Houses, (5) Transmission Lines and (6) The Bhakra Canal System. Construction of the project started in 1946. At the Bhakra Dam site, the two 50' diameter diversion tunnels are nearing completion. On the Nangal Power Channel, excavation and compaction works are nearing completion and concrete lining is in progress. The Nangal Dam is almost complete except for the installation of gates. Cross drainage works and lining are in progress,

and by 1954 the whole work may be completed. Two power houses also are expected to be completed by 1954 and 1955 respectively. Work on the Bhakra Canals, consisting of 518 miles of main and branch canals, and 2,000 miles of distributory channels, is also well advanced. Partial irrigation has already been started. A sum of Rs. 311 million has been spent on this project during the two years 1951-53, the total expenditure up to the end of March, 1953 being about Rs. 550 million.

Damodar Valley Project.—An expenditure of Rs. 292 million has been incurred during 1951-53 bringing the total expenditure on the project so far to about Rs. 460 million. The Bokaro Thermal station with an ultimate capacity of 200,000 k.w., is nearing completion. The supply of power from this station commenced early in 1953 when one unit of 50,000 k.w. was put into commission. The Tilaiya dam has been completed and the hydro-electric station with the generating sets of 2,000 k.w. each has also been commissioned. An area of about 5,000 acres was irrigated, from this dam during 1952-53. In respect of the Konar dam about 55 per cent. of the earth-dam and 66 per cent. of the concrete dam have been completed. The storage so far provided is sufficient for the needs of the Bokaro thermal plant already installed. The Maithon dam on the Barakar river is one of the two key dams on which flood control and irrigation in the lower Damodar Valley will largely depend. The dam is scheduled to be completed by June 1954 and the hydro-electric station by March 1956. Construction work on the Panchet Hill dam and on the Durgapur Barrage and canals is in its early stages. Over 150 miles of transmission lines have been put up and about 100 miles brought into commercial operation to distribute the surplus power from Sindri to give immediate relief to coal fields and other industries in the Damodar Valley.

Hirakud Project.—The total expenditure so far on Hirakud amounts to Rs. 240 million out of which Rs. 181 million have been spent in 1951-53. One of the dykes is nearly complete while the work on other is in full swing. A considerable part of the excavation work on the canal system has also been completed.

Tungabhadra Project.—The work on the dam is nearly complete, and construction of canals has made considerable progress.

Mayurakshi Project.—This project consists of a dam across the Mayurakshi river, a canal system to irrigate 600,000 acres and a scheme for generation of 4,000 k.w. of power. The construction of the project was started in 1946. A considerable part of the excavation of the rock and soil in the main dam has been completed. The Tilpara barrage and the Kopai barrage have also been completed. The excavation and structures are progressing well. The scheme is expected to be completed in 1955.

Kakrapara Weir and Canal Project.—Construction of masonry weir has been completed. Construction was started in 1949. About 400 miles of canals out of 600 miles have so far been constructed.

Lower Bhavani.—The project is nearing completion and about 60,000 acres are expected to benefit from the irrigation facilities that will be provided in the near future.

Gangapur.—About 70 per cent. of the work on the Gangapur dam has been completed; excavation for a permanent waste-weir and work on the left and right bank outlets are in progress.

29. Industries and Transport.—Amongst Government undertakings in the field of industry, the fertilizer factory, the Chittranjan Locomotive Factory, the Indian Telephone Industries, Indian Rare Earths Ltd., and the U. P. Government's Precision Instruments Factory, have gone into production. As regards the Mysore Iron and Steel Works expansion schemes, which were on hand at the time of commencement of the Plan, have nearly been completed.

The contribution to industrial production made by some of the new State enterprises is indicated below:—

	1951-52	1952-53
1. Indian Telephone—		
Industries Telephone (Units)	21,628	27,000
Exchange Lines (Units)	21,000	11,000
2. Sindri Fertilizer Factory (Ammonium Sulphate) (tons)	34,799	230,000
3. Chittaranjan Locomotive Factory Locomotives (Units)	17	36
4. U.P. Precision Instruments Factory Water meters (Units) . . . . .	..	2,100

As regards other projects in the public sector the Hindustan Shipyard completed construction of three ships during 1952. The yard is now building 2 more vessels. The commissioning of the third berth at the Visakhapatnam Shipyard, construction of which has been completed, will increase the capacity of the yard. The penicillin and the D. D. T. factories are still under construction and are expected to be completed during 1954. An agreement has been entered into with a German firm on the proposed integrated steel plant, and it is expected that the plant would go into production in about four years. Among the other State enterprises, the Bihar Superphosphate factory, the Nepa Newsprint Project, the U. P. Government Cement Factory, and the Government Machine Tool Factory, at Jalahalli are expected to go into production during 1953-54. Satisfactory progress has been made both in rehabilitation and expansion of railways.

Social Services and Public Co-operation

30. Social services constitute another aspect of developmental activities to which the plan gives considerable attention. Of the total expenditure of Rs. 26,440 million over the six year period, Rs. 5,730 million are to be spent on social services including education, medical and health services, housing, rehabilitation of displaced persons and other purposes. Efforts are being made to achieve the targets laid down in the Plan.

31. Public co-operation and participation which are essential if democratic planning is to be successful are being particularly stressed. Special steps have been taken to ensure that all sections of the population are associated in the carrying out of the plan. The response from the people has been enthusiastic. Those programmes where the people's participation is a special feature are the Community Development Programmes, the National Extension Service and the Local Development Works Programme. A special campaign by women for encouraging small savings has been launched. This campaign will also help to carry the message of the Plan to the homes of the people. The young people are being provided with special facilities, financial and otherwise, to work in community project areas and in local development works.

Another aspect of public co-operation is the setting up of an autonomous Social Welfare Board during the current year. The functions of the Board include the rendering of financial assistance to social welfare organisations in the country to expand their existing welfare programmes and to undertake new ones. A comparative study of existing social welfare legislation in India and in foreign countries, as a prelude to taking further measures, is also being undertaken by the Planning Commission.

Development Plans in the Private Industry

32. Programmes have been formulated for expansion of major private industries notably, iron and steel, cement, aluminium, fertilizers, heavy chemicals, and power alcohol. Plans have also been made for certain new ones including petroleum refineries and drugs and pharmaceuticals.

33. In the iron and steel industry, the two main private producers are increasing their capacity. The Tatas are expanding and modernizing their works at a total cost of about Rs. 329 million. This programme is expected to be completed by the end of 1957, by which time finished steel capacity will have increased from the present level of 750,000 to 931,000 tons per annum. The Indian Iron and Steel Co. plan to increase installed capacity for finished steel to 345,000

tons per annum by 1953-54. In addition, the IISCO have some further schemes of expansion which on completion will enable them to produce an additional 350,000 tons of finished steel and 400,000 tons of foundry iron or alternatively, an additional 270,000 tons of finished steel and 500,000 tons of foundry iron. The total capital cost of these schemes is estimated at around Rs. 317 million over the period 1953-57. Including the normal capital expenditure during this period, it is estimated that the aggregate financial investment of IISCO during 1953-57 will amount to Rs. 342 million. The retention prices of steel were recently increased making additional funds available to the industry for financing development programmes.

34. Two oil refineries, units with total input capacity of 3.2 million tons of crude petroleum, are being constructed. The investment on these two refineries is expected to be about Rs. 440 million of which foreign investment will account for not less than Rs. 370 million. Construction of a third refinery at Vishakhapatnam with an annual capacity of 500,000 tons of crude petroleum is scheduled to commence in 1955.

35. In the field of power-generation, three major companies have spent Rs. 105 million in 1951-53 on expansion and have increased generating capacity by about 70,000 K.W. It is expected that a thermal power plant will go into operation by 1956 with an initial installed generating capacity of 50,000 K.W.

36. In the cement industry, the programme of development envisages an increase in installed capacity to 5.3 million tons by 1955-56 as against the capacity of 3.3 million tons in 1950-51.

37. The capacity of two principal units of the aluminium industry in 1951 was 4,000 tons of ingots and 3,500 tons of sheets and circles. These units have plans of expansion which will increase the rated capacity by the middle of 1954 to 7,000 tons of ingots and 8,000 tons of sheets and circles. The Indian Aluminium Company propose to set up a new unit in the Hirakud area with a capacity of about 10,000 ingots tons a year.

38. With a view to stimulating development in the private sector, the Government has extended financial assistance to certain industries and has provided fiscal incentives such as liberal depreciation allowances and certain other tax concessions. In respect of foreign investment the remittance of profits continues to be freely permitted and former restrictions on withdrawals of capital have been relaxed. Direct assistance rendered by the Central Government and loans advanced by the Industrial Finance Corporation during 1951-52 amounted to Rs. 15 and Rs. 34 million respectively.

INDIA

Development Expenditure in the Public Sector

(Central and State Government)

	1951-52 Actuals	1952-53 Revised Estimates	1953-54 Budget Estimates
(Rupees in millions)			
1. Agriculture	523.7	702.4	1,032.5
Irrigation	260.5	348.2	470.0
General	263.2	354.2	562.5
2. Multi-purpose projects	354.1	457.1	503.1
3. Forestry (including woodfuel)	8.0	11.4	16.2
4. Fisheries	4.7	4.7	6.6
5. Transport	971.5	1,157.6	1,375.3
Railways	708.5	767.0	796.1
Roads	144.6	232.3	275.4
Ports & Harbours	11.9	24.2	90.2
Inland Waterways	0.2	0.2	0.2
Shipping	15.8	12.4	44.1
Air Transport	20.8	24.6	39.8
Others	69.7	96.9	129.5
6. Fuel and power	214.8	256.0	302.2
Hydro-electric	67.4	73.0	71.9
Thermo-electric	147.4	183.0	230.3
7. Other mining	0.1	0.8	2.3
8. Industry	106.5	123.1	178.2
9. Social capital	706.4	774.5	949.9
Resettlement	241.2	207.0	180.2
Housing	75.5	122.1	192.9
Water supply	35.5	40.8	41.2
Health	83.3	89.8	138.1
Education	202.6	233.6	277.0
Others	68.3	81.2	120.5
10. Research	16.8	25.8	32.5
11. Miscellaneous	8.6	12.1	30.8
TOTAL	2,915.2	3,525.5	4,429.6

INDIA

Balance of Payments, 1951-53

	Actual 1951-52 (April-March)				Actual 1952-53 (April-March)			
	\$ Area	£ Area	Others	Total	\$ Area	£ Area	Others	Total
(All figures in £ million)								
PAYMENTS (Imports) (c.i.f.)								
Food & Feeding Stuffs	120	48	38	206	63	34	19	117
Steel & Non-ferrous Metals	9	10	10	30	8	8	11	27
Timber and Products and Chemicals (including fertilisers)	6	11	9	26	5	5	6	18
Machinery & equipment	14	43	22	78	12	40	20	72
Vehicles	9	10	2	21	8	8	...	16
Petroleum and Products	11	23	..	35	7	44	..	52
Other Industrial Raw Materials	60	66	41	168	13	26	15	53
Consumer Goods and others	21	71	47	138	17	50	39	105
TOTAL IMPORTS (c.i.f.)	250	282	169	702	133	215	110	460
Total Payments	250	282	169	702	133	215	110	460
RECEIPTS (Exports) (f.o.b.)								
Jute manufactures	63	78	40	182	44	30	20	94
Cotton manufactures	3	38	7	49	1	48	8	57
Tea	8	50	7	65	8	44	7	59
Other	61	120	59	240	52	103	70	224
Total Exports	135	286	113	536	105	225	105	434
Invisible Receipts (Net)	+5	+57	-9	+52	+11	+54	+1	+66
Total Receipts	140	343	104	588	116	279	106	500
Current Account								
(Surplus or Deficit)	-110	+61	-65	-114	-17	+64	-4	+40
Errors and Omissions	..	..	..	-41	..	..	..	-7

CHAPTER VI

INDONESIA

Economic and Financial Situation

Indonesia became a member of the Colombo Plan early in 1953. As this report deals with Indonesia for the first time, certain general developments in the economy are described.

2. When Indonesia became independent, it was faced not only with the devastations of World War II and the subsequent struggle for its freedom, but also with a colonial economic system, largely concentrating on enterprises concerned with exports. It was not self-sufficient in food and there was little industrial development except in the export sector. There was little technical "know how", and a very limited number of trained managerial personnel. The Indonesian economy was, and still is, easily affected by fluctuations in world commodity prices.

3. Indonesia is endowed with a rich soil, a favourable climate and an industrious population. The economy of Indonesia is primarily agricultural and extractive and the chief export products are rubber, copra, tea, palm oil, tobacco, tin, petroleum and coal. Of these commodities rubber, tea, copra, palm oil and tin amount to about two-thirds of total exports. Sugar, one of the main export products before the war, is again available for export in considerable quantities.

4. The Indonesian economy has a food deficit, the size of which is indicated by the import figures for foodstuffs. In 1952 rice imports alone amounted to 760,000 tons costing Rp. 1,541* million. There is thus a heavy drain on the country's foreign exchange reserves, and the problem is further aggravated by a population increase of about 1.2 million people per year. Consequently the highest priority is being given to increased production of food, and emphasis is being placed on rice, fisheries and cattle. Rice production in 1952 was about 7 per cent. higher than in 1951 and approximately 6 per cent. higher than in 1937. At the end of 1952 there were about 200 seed farms in Indonesia, each of which will have improved seed available after 3 years for 25,000 acres of land. The use of chemical fertilisers (double phosphate) and organic manure will substantially increase the yield of paddy per acre.

*Rate of exchange Rp. 31.92 = £. 1 (Sterling).

Rp. 11.40 = \$1 (Dollar).

5. In the year 1951 imports increased from Rp. 936 million in the first half to Rp. 2,262 million in the second half. The greatest increase was in consumer goods which advanced during the same period by Rp. 869 million. Export receipts from rubber and copra after 1951 showed a decrease. In the regions where rubber growing represented the main source of livelihood for small-holders, the low rubber prices have induced people to switch over to food crops. On the other hand estate agriculture production showed an increase in 1952 as against 1951. Estate production of rubber, palm oil and hard fibres rose by 26 per cent., 20 per cent., and 88 per cent. respectively in 1952.

6. Although the Korean war and the rearmament programme caused an upward movement of prices of commodities, production in 1951 was still only 60—80 per cent. of the 1938 level. In 1952 there was a slight improvement over the previous year.

7. The budgetary position over the last few years forcibly demonstrates the instability of Indonesia's public finances and balance of payments and especially its dependence on foreign trade.

8. In 1951, owing to increased revenues arising out of the boom in foreign trade, the budget showed a surplus of about Rp. 1,200 million in contrast to a deficit in the previous year of around Rp. 1,700 million. Export duties alone brought in Rp. 1,351 million. The favourable balance of trade, combined with rising incomes, increased the demand for imports. As a result, the sale of foreign exchange at a premium yielded the large sum of Rp. 4,122 million and import duties accounted for Rp. 1,404 million. Because of high levels of incomes, corporation and personal income taxes brought in Rp. 1,557 million, while rising consumer spending raised the yield of sales taxes to Rp. 879 million. Indeed, all major categories of revenue increased over 1950. Thus gross receipts went up by about Rp. 4,835 million, while expenditure rose by Rp. 1,904 million. The position was radically altered during 1952 owing to the decline in world prices of the major export commodities, particularly rubber. Expenditures rose much more than revenues, and the year ended with a large deficit of Rp. 4,328 million.

9. The fact that there was a budget surplus in 1951 was the result of high revenues coupled with a number of technical difficulties encountered by the various Ministries in carrying out their respective programmes. The various Ministries continued until late in 1952 with their original programmes. The result was an expansion of total government expenditure in 1952 to the high figure of Rp. 17,563 million. The Ministry of Public Works and Power and the Ministry of Communications spent relatively large sums for capital projects. Government enterprises were responsible for over one-third of total

capital outlays. Aggregate capital expenditures, however, were less than one sixth of total government spending.

10. For the 1953 budget an effort has been made to arrive at a balance between current expenditures and total revenues. Provision was made for a capital budget, keeping in mind the likely monetary effects of deficit finance on domestic economy. Current expenditures for 1953 declined by Rp. 3,800 million, compared with 1952. Despite rigorous efforts, there were limits to the Government's economy drive owing to the over-expansion in the past of the administrative organisation and previous commitments for the purchase of capital goods. The attempt to balance current expenditures and public revenues, has not been wholly successful as there is still a deficit of Rp. 137 million on the administrative budget of 1953. Compared with the 1952 deficit of Rp. 1,500 million, this is a substantial improvement. Time has been too short to overcome completely the obstacles connected with an over-expanded administration and measures to reduce current expenditures will only bear results after some time. However, a foundation has at least been set for continued efforts to bring public outlays within justifiable proportions.

11. Capital expenditures account for most of the 1953 deficit. In the capital budget the government has included those projects which have been given priority in accordance with its economic policy. But here, again, in the allocation of capital expenditures, the Government has not been completely free. On the one hand the capital budget had to include such priority projects as agricultural production, important industrial projects, highway construction, migration and technical training. On the other, there were still a number of earlier commitments to be implemented in 1953. The 1953 capital budget is therefore a compromise between economic projects of an exclusively priority character and commitments of the past. It is hoped that the 1954 capital budget will consist entirely of priority items within a balanced development plan.

12. The bulk of capital expenditures in 1953 are in the fields of communications, public works, and government-owned industries. The political and economic importance of good communications and transportation need not be stressed, as these are the prerequisites of rural economic development. The amount allocated to public works represents the financing of projects affecting the economic activities of the whole community, such as highway-construction, irrigation of agricultural regions and power. The sums allocated to government enterprises (Rp. 728 million) represent the bare minimum necessary for them to continue operations. A capital budget of about Rp. 2,000 million per year or approx. 15 per cent. of total expenditure is rather modest, especially in the light of Indonesia's requirements for capital formation. Unless the financial position improves.

or external assistance is received, even this level of development expenditure cannot be assured.

Reconstruction and Development

13. Indonesia has established a Planning Bureau to prepare a programme of economic and social development. A Planning Board at Ministerial level is responsible for decisions on policy matters. The Planning Bureau has been functioning only for a short time and still needs the services of an efficient statistical organisation to be able to discharge its functions properly. It will take some time before a development programme for the country as a whole can be formulated.

14. Although there is at present no master plan for Indonesia there are certain Governmental activities which are developmental in character. The Ministry of Agriculture has a "Prosperity Plan" designed to make Indonesia self-sufficient in foodstuffs and to raise agricultural productivity in general. This plan includes the projects in fisheries and forestry as well as in smallholders' agriculture and animal husbandry. During the last few years nearly 1 million miles of irrigation canals have been reconstructed. During 1951 and 1952 the Government spent Rp. 12.5 million per annum on reconstruction of rural irrigation. In 1952 a sum of Rp. 38.4 million was allotted for larger irrigation works. Furthermore, a start has been made on the South Borneo drainage plan involving an area of 500,000 acres. The output of sea fisheries in 1952 was estimated to be about 41,000 tons higher than in 1951. A start has been made on motorisation of the fishery fleet, on the construction of an ice factory for the conservation of fish and on the installation of two deep freezing installations. Production of inland fisheries is estimated at 200,000 tons.

15. Co-operative organisations are being promoted by the Ministries of Economic Affairs and Agriculture. Credits in the years 1950 to 1952 amounted to Rp. 2,523,000, Rp. 4,962,000 and Rp. 3,938,000 respectively. The following table shows the number of co-operative societies in various parts of the country:—

West Java	1,434	South Sumatra	363	Borneo	351
Central Java	1,585	Central Sumatra	585	Celebes	1,030
East Java	1,489	North Sumatra	285	Rest of Indonesia	395
	<u>4,508</u>		<u>1,233</u>		<u>1,776</u>

The membership of cooperative societies amounted to over 1 million in 1952. Capital invested by the members amounted to Rp. 56.4 millions at the end of 1952 as against Rp. 35.3 million at the end of 1951. The Ministry of Economic Affairs has devoted special attention to the training of staff in the co-operative movements in Indonesia and abroad. In the staff courses organised in Indonesia

for this purpose, the enrolment was 3.803 in 1951 and 3.536 in 1952. As against 24 staff courses in 1951 (21 being in Java), 40 courses were organised in 1952, 21 of which were in Java and 19 in the other islands.

16. An important programme for the transfer of population from over-populated areas to under-populated areas is in progress, and it is expected that this will be accelerated in the years to come. This programme is intended to provide opportunities for agricultural improvement and the establishment of processing industries. In the first instance 500,000 persons are expected to be moved from Java to other islands in the course of the next five years at a cost of about Rp. 2,000 million. This project will entail, among other things, clearance of jungle and forests to the extent of nearly 500,000 acres.

17. The Ministry of Economic Affairs has a Department of Industry concerned with Industrial projects. At present this Department is actively engaged in promoting the development of small scale and cottage industries. Rp. 24 million were allocated in 1952 to various Central Development Institutes for textiles, leather works, ceramics, iron works, copper products, umbrellas and rubber manufactures. The main object of these institutes is to promote efficiency, to train young technicians and to give advice on selling methods, production, and the functions of co-operative societies. These institutes include at present an industrial research institute at Djakarta, a chemistry laboratory at Bogar, a material testing laboratory at Bandung, a leather institute at Djogjakarta, a textile institute and a ceramic institute at Bandung. Twenty more research centres are planned, seven of them outside Java. Progress in this important line will be largely dependent on the fulfilment of requirements for technical equipment. An amount of Rp. 55 million was allocated in 1952 for printing works, remilling works and a spinning factory. Three of the printing works ordered by the Government in 1950 recently commenced operation. There has lately been some improvement in industrial production, and it is hoped that the measures introduced in 1952 and 1953 in the import sphere will give a further stimulus to industrial development.

18. Government expenditure is being made on railways, shipping and civil aviation and on the extension of power stations.

19. Oil companies have increased production so that petroleum products have now become the second most important export-commodity of Indonesia. As a result of pre-independence arrangements with the oil companies, a great part of the foreign exchange receipts from petroleum exports do not form part of the country's general foreign exchange resources.

20. The Ministries of Labour, Education and Agriculture have manpower-training and other programmes. In Indonesia, the raising of productivity through training in both agricultural and industrial fields is an essential part of a development programme.

External Assistance

21. Under the Colombo Plan, Australia, New Zealand and United Kingdom have extended aid to Indonesia. In 1953, Australia provided tractors and trucks valued at £(A)250,000; New Zealand offered aid amounting to £128,000 for a vocational training centre in Malang; the United Kingdom granted equipment for science teaching worth about £25,000.

22. U.S. grants for the fiscal year 1952 and 1953, some of which are still being utilized, amounted to about \$13.2 million. They have been used mainly in the fields of agriculture, health, education, communications, public works and general economic development. The Export—Import Bank extended a line of credit of \$100 million of which \$36 million have been used. The Ford Foundation has also provided \$200,000 for educational projects.

23. Technical assistance consisting of experts, trainees and equipment in various fields has been received under the Colombo Plan and from the United Nations and the United States, as indicated in the annexure to this Report. Training facilities have also been provided by Germany, Japan, Denmark, France and Yugoslavia.

INDONESIA

Development expenditure in the public sectors, 1951-53 (excluding local government expenditure)

	1951 Budget	1952 Budget	1953 Budget
(In million rupiahs)			
I. Agriculture			
General (excl. Govt. enterprises)	41.9	98.3	70.1
Rubber	19.7	15.5	8.5
Irrigation	10.6	38.4	50.0
Animal Husbandry	17.2	19.9	13.6
TOTAL	89.4	172.1	142.7
II. Forestry	22.3	34.0	22.0
III. Fisheries	11.5	37.4	20.3
IV. Transport			
Railways	Included under Govt. enterprises		
Roads (main)	23.7	72.5	50.0
Harbours (excl. Govt. enterprises)	41.9	99.6	23.7
Shipping	32.8	52.7	25.8
Air Transport	23.1	77.4	97.5
TOTAL	121.5	302.2	197.0
V. Fuel and Power			
Electricity	2.0	50.0	49.4
VI. Mining	2.0	6.5	3.3
VII. Social Capital			
Resettlement	6.9	21.6	10.0
Housing	76.2	76.2	31.7
Water supply	2.0	13.1	13.0
Health	69.0	14.6	13.6
Education	122.6	102.3	54.9
TOTAL	276.7	227.8	123.2
VIII. Industry	113.4	96.3	102.0
IX. Others			
Heavy equipment	16.1	45.5	52.0
Public buildings	236.8	3.2	128.0
Government enterprises	292.7	562.3	617.9
TOTAL	545.6	949.0	797.9
GRAND TOTAL	1,184.4	1,905.3	1,457.8

INDONESIA

Balance of Payments, 1951—53 (excluding certain Government imports)

	1951		1952		1953	
	Rp.	£	Rp.	£	(Jan—June) Rp.	£
	equivalent (a)		equivalent (a)		equivalent (a)	
(Figures in millions)						
<i>Payments</i>						
<i>Import (c.i.f.)</i>						
Rice	294	27·6	1,541	48·3	627	19·6
Other foodstuffs	180	16·9	701	21·9	206	6·5
Steel, iron and non-ferrous metals	110	10·4	359	11·2	131	4·1
Cotton yarns and piecegoods	740	69·5	1,480	46·4	768	24·1
Chemicals (including paints, dyes and fertilizers)	129	12·1	353	11·1	162	5·1
Machinery and equipment	145	13·6	650	20·4	276	8·6
Vehicles (including bicycles)	136	12·8	482	15·1	173	5·4
Petroleum and products	135	12·7	501	15·7	267	8·4
Manufactured goods and other items	1,329	124·9	4,466	139·9	1,469	46·0
Total imports (excluding certain Government imports)	3,198	300·6	10,533	330·0	4,079	127·8
Invisible payments (b)	1,038	97·6	2,472	77·4	1,125	35·2
TOTAL PAYMENTS	4,236	398·2	13,005	407·4	5,204	163·0
<i>Receipts :</i>						
<i>Exports (f.o.b.)</i>						
Rubber	2,483	233·4	4,838	151·6	1,657	51·9
Petroleum and products	633	59·5	2,070	64·8	1,037	32·5
Tin-ore	308	28·9	981	30·7	403	12·6
Other	1,356	127·4	2,558	80·1	1,273	39·9
TOTAL EXPORTS	4,780	449·2	10,447	327·3	4,370	136·9
Invisible receipts (b)	134	12·6	475	14·9	344	10·8
TOTAL RECEIPTS	4,914	461·8	10,922	342·2	4,714	147·7
Balance on current account (surplus or deficit)	678	63·6	—2,083	—65·2	—490	—15·3

(a) 1951 Rp. 10·64=1£; 1952/53 Rp. 31·92=1£

(b) Preliminary figures on investment/income, transportation, insurance and related items.

CHAPTER VII

NEPAL

Economic and Financial Situation

In view of the lack of adequate basic statistics, it is possible to indicate only broad trends in the economy.

2. There are no price or other index numbers in Nepal but, in keeping with the world trends, inflationary pressures generally abated in Nepal during 1952-53. Prices of various articles of general use such as textiles, kerosene, miscellaneous foods, etc. are higher than in the neighbouring regions in India. This situation is attributable partly to the high cost of transportation across the mountain terrain and probably also to an increase in domestic consumption, resulting largely from an upward revision of salaries and wages during the last year. In the same period, the prices of Nepal's chief export, raw jute, declined substantially. The prices of other export commodities such as rice, linseed and timber also declined. As a result, in spite of some fall in the prices of imports the movement of the terms of trade was unfavourable. At the same time, there has been some improvement in the volume of imports in recent months, attributable in part to the receipt of external assistance. It is not possible in the absence of detailed figures to give any precise indication of the balance of payment position or the probable magnitude of the deficit in Nepal's external accounts.

Budgetary Position

3. The budgetary position showed a distinct improvement during the year. The estimated deficit on revenue account for 1952-53 was Rs. 12.8 million* or about half of the previous year's deficit of Rs. 22.0 million. With expenditure remaining more or less unchanged at around Rs. 53 million the improvement is entirely the result of an increase in revenues which rose from Rs. 30.5 million to Rs. 40.2 million, the rise in customs receipts and land revenue being particularly marked. But for the fall in raw jute prices customs revenues would have been still higher.

In the two years 1951-53 Rs. 4.9 million, out of the aggregate development expenditure of Rs. 21.7 million, were met from the revenue budget, the balance being financed mainly through external assistance.

*Rate of Exchange:—

Rs. 13.33 = £ 1 (Sterling)

Rs. 4.78 = \$ 1 (Dollar)

Financial resources

4. Mention was made in last year's report of measures under consideration to augment domestic resources for development purposes. During the year, entertainment tax has been imposed while proposals for the early introduction of income-tax are being completed. Steps are also being taken to increase revenue from forests, which yielded the sizeable sum of Rs. 3.2 million in 1952-53. Government revenues would also benefit from the recent agreement concluded with the Government of India providing for the refund of excise duties. In the absence of a capital market and an integrated banking system with a Central Bank, it is unlikely, however, that a large volume of resources can be mobilised except through taxation. In a primarily agricultural economy the scope for an increase in revenues through direct taxation is also limited. It would seem, therefore, that there is not much prospect of Nepal financing its development programme from its own resources for some years to come.

Progress of Development

5. As a result of Nepal's special geographical situation and the fact that a good part of the total area of 54,000 sq. miles has not been exploited, the primary need is for improved communications to facilitate the development of the country's resources. For the first time, a systematic geographical survey is under way with the help of United Nations Technical Assistance Administration and the Government of India. Earlier investigations have shown the presence of copper and iron deposits. An aerial survey of Eastern Nepal has been completed with the assistance of the Government of India and a further aerial survey of 30,000 sq. miles of Nepal will be finished in 1954. The total cost of surveying the whole country, which is expected to be finished by 1956, is estimated at Rs. 5 million for which assistance is being provided by the Government of India. More land needs to be brought under cultivation, particularly in view of the growing population.

6. Investment is, therefore, concentrated at present on the construction of roads, major and minor irrigation and power projects and agricultural extension services. The development of the industrial sector, the scope for which is large, therefore, becomes a second priority in view of the inadequacy of available resources for development.

7. Details of development outlay under the various categories are given at the end of this chapter. The aggregate expenditure during the two years 1951-53 was Rs. 21.7 million out of which Rs. 16.8 million represented the utilisation of external assistance provided by U.S.A. and India. Development expenditure for 1953-54 is estimated at about Rs. 5.7 million.

8. In order to formulate a detailed plan, an Economic Development Committee has recently been appointed by the Government. The Committee has now prepared a draft development plan. It is hoped to submit this plan at the next Consultative Committee meeting.

9. The table below gives an idea of the cost of the schemes in operation under major heads together with the details of assistance received from member countries.

Development outlay during the two years 1951—53 and the sources of finance

	(In thousand of Indian Rs.)		
	Nepal	India	U. S. A.
Road Construction	133	9,000	...
Airfield . . . . .	...	1,000	...
Broadcasting	240	...	...
Telephone	500	...	...
Irrigation	582	...	666
Agriculture	89	...	...
Power	2,000	...	...
Aerial Survey . . . . .	...	5,000	...
Public Health . . . . .	...	...	666
Filter Plant	399	...	...
Village Development	400	...	357
Road Survey . . . . .	...	100	...
	4,343	15,100	1,689
GRAND TOTAL	Rs. 21,132*		

10. A brief description of some of the individual projects covered by the above broad categories is given below:

Transport and Communication.—Construction of 79 miles of motor road between Kathmandu and Bhaise, at an estimated cost of Rs. 9 million was commenced in September 1952 with the assistance of the Government of India. So far a track suitable for jeeps has been completed. With the help of engineers borrowed from the Government of India, a survey of a possible route for nearly 897 miles of road at a cost of Rs. 100,000 has been completed. The development of air services in Nepal has received a very high priority. In 1952-53 five important districts have been connected with non-scheduled air services. Air Nepal Limited, a semi-Government concern, has been set up to run an internal and external air service. Dakota planes have been requested from the Government of India. Work has already been started on the setting up of a 200 line Central Battery Multiple Exchange Telephone system in Kathmandu with a cable

*The slight discrepancy in this figure as compared with those given on page 57 and the table at the end is due to the exclusion of minor development schemes.

length of 7 miles. The cost of this project is Rs. 500,000 and orders have been placed with the Government of India for telephone equipment.

Agriculture and Fisheries.—As Nepal is ideally placed for the development of dairy farming and live stock, a dairy expert from Switzerland is making plans for the starting of a small dairy farm in Alpine region after the Swiss model. In Kathmandu itself, a central live-stock development farm has been opened. Sindhi cows and bulls have been imported from Pakistan to improve local breeds. It is estimated that the livestock improvement scheme will cost Rs. 118,000. The Government has also organised a new fishery section under the department of Agriculture. All available ponds and tanks in Kathmandu have been filled with carps imported from Bihar as an experimental measure. The initial cost of this scheme was Rs. 15,000 and so far 400,000 fries have been imported.

Irrigation and Power.—Two small canals, each irrigating 2,500 acres are under construction. Agreements have been arrived at with the U.S. Government for the construction of 10 major tube-wells, one flow irrigation project in Central Terai, and river irrigation service at four places. Arrangements have been made for the commencement of these projects and they are expected to be completed in 1954. They will irrigate 16,000 acres of land at a cost of Rs. 873,100 and \$ 140,000. In connection with these and other irrigation projects, the Government of India has agreed to grant Rs. 5 million for a period of 5 years.

As a temporary measure, the Government of Nepal is setting up a 1,500 K.W. diesel plant for the supply of electricity to Kathmandu. The estimated cost of the project, which is to be completed in 1954 is Rs. 200,000.

Public Health.—The Government of Nepal has in co-operation with United States agencies, started a scheme for the control of insect-borne diseases at five centres. The contribution of the United States will be \$ 140,000 for the purchase of Malaria control supplies and equipment. Nepal's students are to receive training at the Malaria Institute in India. The total cost of the whole scheme, which it is hoped will eradicate Malaria from Nepal, will amount to Rs. 1,604,200 and \$ 539,700 over a five-year period.

Two projects to filter drinking water for the city of Kathmandu, which were started in 1950, are now nearing completion. The Government of Nepal has spent Rs. 479,000 on these projects.

Village Development Programme.—A Five-Year Village Development Programme similar to the Community Development Project in India has been started under the joint auspices of the Government

of Nepal and the United States agencies. There is a training centre at Kathmandu for the hill areas and one at Parkauli for the Terai areas where village leaders in groups of fifty are trained for a period of six months in agricultural methods and techniques. The plan is to train 3,800 village development workers in five years time. In 1952-53, 100 boys have been trained and eighty of them have been posted at five development centres serving 37 villages in all.

The total cultivated acreage under paddy in Nepal is estimated to be 3.6 million. Rice is the major crop in terms of acreage. The village development scheme is expected to yield an increase of 10 per cent. in rice production, 20 per cent. in wheat, 20 per cent. in maize and 100 per cent. in potatoes.

Publicity Broadcasting.—Equipment for a 5 K.W. High Frequency Broadcasting Transmitter and for a 9,250 watt Medium Frequency Transmitter will reach Kathmandu within a short time. This project, which is scheduled to be completed in 1953, is expected to cost the Government of Nepal the sum of Rs. 240,000.

11. The table below indicates the proposed development programme for 1953-54 together with an estimate of financial resources available including external assistance:—

Proposed development outlay in 1953-54 and external resources of finances

	Nepal	(In thousand of Indian rupees)	
		India	U.S.A.*
Irrigation	1,454	1,000	747
Diesel Lift Pump . . . . .	...	...	357
Farmers Supplies Service . . . . .	...	...	452
Trainees . . . . .	...	...	405
Rapati Valley	100	...	...
Fisheries	47	...	...
Horticulture	144	...	...
Public Health	259	...	771
	<u>2,004</u>	<u>1,000</u>	<u>2,732</u>
GRAND TOTAL	<u>5,736</u>		

In addition, it is proposed that the following other development schemes be undertaken immediately:—

Item	Scheme	Remarks
1	Trisuli Hydro-electric Power	Under investigation.
2	Construction of 214 miles Bhairva Pokhara Road in 4 years.	Estimated cost Rs. 31.0 million.
3	Butwal Multi-purpose Project	Estimated cost Rs. 5 million.
4	Development of AIR NEPAL estimated requirements of 5 Dakota Planes.	Estimated cost Rs. 1.5 million.

* Exclusive of technical assistance.

Technical Assistance

12. In addition to the assistance described earlier the Government of India has agreed to train officers and students in administrative and technical subjects under the Colombo Plan. Negotiations have been completed for 112 students to go to different Indian Universities and Institutions for study and training. Other technical assistance and training facilities have been received from Australia, Ceylon, the United Kingdom, United States of America, the Food and Agriculture Organisation and the United Nations Technical Assistance Administration. Details are contained in the Annexure to the Report.

NEPAL

Cost of development expenditure in the public sector 1951-54

								1951-52 and 1952-53 (Combined)	Estimates, 1953-54
(In thousands of Indian rupees)									
1. Agriculture	.	.	.	.	.	.	.	89	643
General	.	.	.	.	.	.	.	...	596
Animal Husbandry	.	.	.	.	.	.	.	79	...
Fisheries	.	.	.	.	.	.	.	10	47
2. Irrigation	.	.	.	.	.	.	.	1,298	3,658
3. Forestry	.	.	.	.	.	.	.	...	...
4. Transport and Communications	.	.	.	.	.	.	.	11,249	...
Ropeway	.	.	.	.	.	.	.	...	...
Roads	.	.	.	.	.	.	.	9,367	...
Airways	.	.	.	.	.	.	.	1,020	...
Posts	.	.	.	.	.	.	.	14	...
Telephones	.	.	.	.	.	.	.	505	...
Others	.	.	.	.	.	.	.	343	...
5. Fuel and Power	.	.	.	.	.	.	.	2,000	...
Hydro-electric	.	.	.	.	.	.	.	...	...
Thermal-electric	.	.	.	.	.	.	.	2,000	...
6. Mining	.	.	.	.	.	.	.	...	...
7. Industry	.	.	.	.	.	.	.	...	...
8. Social Capital	.	.	.	.	.	.	.	1,324	1,435
Housing	.	.	.	.	.	.	.	...	...
Health	.	.	.	.	.	.	.	674	1,030
Education	.	.	.	.	.	.	.	82	...
Water-supply	.	.	.	.	.	.	.	557	...
Others	.	.	.	.	.	.	.	11	405
9. Research (Aerial Survey)	.	.	.	.	.	.	.	5,000	...
10. Village Development	.	.	.	.	.	.	.	756	...
								21,716*	5,786

*Includes Rs. 586,000 for minor development projects.

CHAPTER VIII

PAKISTAN

Economic and Financial Situation

Since the last Annual Report of the Consultative Committee in March 1952 there has been a deterioration in Pakistan's balance of payments position. The prices of Pakistan's export commodities fell in 1952 as a result of the general recession in world prices of commodities. Jute, which quoted at Rs. 42-6-0* per maund in July 1951 had fallen to the low figure of Rs. 14 per maund in March 1953. The price of cotton per maund, which reached Rs. 127-1-4 in December, 1951, had fallen to Rs. 62-10-0 in January 1953. This resulted in a substantial reduction in Pakistan's foreign exchange earnings. Pakistan's foreign exchange receipts in 1952-53 amounted to Rs. 1,521 million against Rs. 2,417·2 million in the previous year. In 1951-52 Jute exports of 4,850,000 bales earned Rs. 1,168 million; while in 1952-53 the increased export of 5,750,000 earned only Rs. 532 million. Similarly, in 1951-52 Pakistan earned Rs. 809 million from the export of 1,100,000 bales of cotton and in 1952-53 only Rs. 648 million from the larger export of 1,500,000 bales.

2. The reduction in exchange earnings necessitated curtailment of expenditure on imports. Import policy was progressively made more restrictive. In August 1952 a number of items imported on private account were removed from the Open General Licence, but when this did not have the desired effect, the Open General Licence system was terminated in November 1952. Imports on private account during 1952-53 dropped to Rs. 1,214·1 million as against Rs. 1,934·0 million in 1951-52. Imports on Government account amounted to Rs. 480·6 million in 1952-53 as against Rs. 598 million in the previous year. Invisible payments also dropped from Rs. 354·4 million in 1951-52 to Rs. 233·2 million in 1952-53.

3. Against the foreign exchange surplus of Rs. 576 million in 1950-51 there was a deficit of Rs. 460·2 million in 1951-52 and of Rs. 406·9 million in 1952-53. Corrective measures were taken which involved eliminating the import of all but essential items. This resulted in an improvement in the balance of payments position. During January-March, 1953, Pakistan had a small surplus of Rs. 53·4 million which was further augmented by Rs. 14·7 million during April-June, 1953. While a restrictive policy was followed so

*Exchange Rate Rs. 9·27 = £1 (Sterling.)
Rs. 3·32 = \$1 (Dollar.)

far as the import of consumer goods was concerned, the major portion of the foreign exchange available was set apart for development projects both in the private and public sectors. Priority was given for the import of Capital goods, machinery and industrial raw materials.

Food Situation

4. Pakistan is normally self-sufficient in food grains, with a small surplus available for export. However, failure of the monsoons in 1951 followed by continued drought, locust infestation and low water levels in the rivers and irrigation canals largely contributed to a heavy fall in the yield of agricultural crops during the period under review. The summer crops harvested in November, 1951, yielded 250,000 tons less than the normal yield and the winter wheat yield in 1952 was short by well over one million tons. Vigorous efforts by the Government to secure an increase in the production of food grains in the summer of 1952 through various incentives to cultivators resulted in the addition of 400,000 acres to the cultivated area. The damage done to millet crops in Sind by heavy locust infestation in this season reduced the overall yield much below expectation, the net increase in food production being only about 100,000 tons.

5. The causes of these difficulties in agricultural production continued to operate in 1953 and a serious food situation developed during the period under review. The generous and timely help of friendly countries in making large quantities of wheat available has largely helped the Government in meeting the situation. Nevertheless, the purchase of an exceptional amount of wheat in 1952 exerted additional pressure on Pakistan's balance of payments. Effective measures had, therefore, to be taken to avoid recurrence of such a situation in the future. A "Grow More Food" Committee with extensive powers was set up to deal with this problem. The Committee, which was in the beginning presided over by Lord Boyd Orr, formerly Director General of the Food and Agriculture Organisation, considered short term schemes which were likely to produce quick results. A sum of nearly Rs. 20 million was placed at the disposal of this Committee. Besides these grants, the Central Government has also approved 30 provincial agricultural schemes costing in all Rs. 335 million to bring 3,188,000 acres into cultivation.

6. Pakistan also undertook certain schemes to increase yields from land already under cultivation. For example, in 1951-52 about 13,000 tons of fertilisers were imported and distributed to cultivators; in 1952-53 the amount was increased to 75,000 tons. To encourage the use of fertilisers distribution is being made to the cultivators at reduced prices.

Sources of Finance

7. The Public finances of the country have reflected the 'impact' of the recession in prices. On the revenue side the receipts in 1952-53 were Rs. 1,245.9 million comprising a fall in customs collections associated with declining trade partially offset by an improvement in income-tax, excise duties and the surpluses of the commercial departments. In 1953-54 the effect of the recession has become fully apparent, with current revenue, excluding new taxes, estimated at Rs. 927.2 million. In the 1953-54 budget new taxes amounting to Rs. 58.8 million have been imposed and expenditure on revenue account has been reduced by Rs. 259.3 million thus preserving the small current account surplus which has been a feature of the three budgets.

8. While administrative and other current expenditure has been substantially reduced, expenditure on social services during 1953-54 will be higher at Rs. 28.6 million compared with Rs. 26.7 million in the previous year.

The receipts and expenditures of the Central Government on both revenue and development account are set out in the following table:

					(Rs. million)		
					Actual, 1951-52	Revised, 1952-53	Budget, 1953-54
<i>Current Account</i>							
Receipts	.	.	.	.	1,449.7	1,245.9	986.0
Expenditure	.	.	.	.	1,441.6	1,243.9	984.6
Surplus	.	.	.	.	8.1	2.0	1.4
<i>Development Account</i>							
Direct outlay on development	.	.	.	.	171.7	300.9	368.6
Loans to Provinces etc	.	.	.	.	117.7	104.0	192.2
					<hr/> 289.4	<hr/> 404.9	<hr/> 560.8

It will be seen that although the recession in Pakistan's foreign trade has imposed a reduction in current expenditure, the provision for development has been steadily increased. As is explained in a later section, the emphasis of the current development programme has undergone modification in the changed economic situation; but the momentum of the programme has been maintained.

9. The financing of development expenditure has been carried out partly through foreign loans and grants (also more fully described in a later section) and through internal loans as well as through domestic savings which were actively encouraged by the Government. In 1952-53 new long-term domestic loans of Rs. 149.7 million were floated. Small savings schemes brought in Rs. 21.5 million.

Private development activity

10. The Pakistan Government continues to make special efforts to stimulate savings and promote investment in the private sector.

A Pakistan Postal Savings Promotion Committee which was appointed in 1952 has submitted recommendations for mobilising a larger volume of savings. Facilities for investment in Pakistan National Savings Certificates, Defence Savings Certificates, Post Office Savings Banks and a Postal Life Assurance Fund for Government employees were already well established throughout the country. In the commercial and industrial field the Government-sponsored Pakistan Industrial Development Corporation, the establishment of which was mentioned in the last report, has encouraged the investment of private capital in schemes in which the government also participates. The Corporation is making a significant contribution to the industrial development of Pakistan. The Karachi Stock Exchange established in 1949, now transacts business at the rate of approximately Rs. 10 million a month. Direct encouragement is given to industrial firms to increase their investment by granting them special tax concessions. The profits of new industrial undertakings are under certain conditions partially exempt from income tax. All investments in approved industrial undertakings are exempt from Estate Duty. Share holdings taken up by private investors, other than companies in approved industrial undertakings also enjoy a measure of relief from taxation. Imported capital goods are exempt from sales tax. Special depreciation allowances have also been granted. In addition measures have been taken to attract foreign capital. There is no discrimination against foreign enterprises in the matter of taxation; the remittance of profits is allowed and such firms receive all the concessions given to the nationals of Pakistan with the following reservations: that such firms afford opportunities for the participation of local capital and avoid the creation of monopolies; that Pakistan nationals are given the option to subscribe at least 51 per cent. of all classes of share capital and debentures in certain industries (although where such capital is not forthcoming the balance may be subscribed by the foreign investors with the approval of the government). These various measures have combined to increase the flow of private funds into productive industrial investment.

Progress of the programme

11. Expenditures in various fields of developments are given at the end of the Chapter. In many cases, expenditures have been on projects not yet fully completed, which are discussed in detail in the section on Pakistan's continuing programme. A measure of the results being obtained can however be gathered from the following brief facts:—

Agriculture and Irrigation.—Balloki-Sulamanki Link. To supplement the existing supplies of the Sutlej Valley Canals in the

Punjab this project was started in 1951 at an estimated cost of Rs. 73.5 million. It is now nearing completion. Bhamban Wali—Ravi Bedian Link. This was constructed to augment the supplies in the Upper Bari Doab Canal which serves an area of 630,000 acres. This has been completed.

Power.—At the time of partition the installed power capacity was 71,000 K.W. This has now been doubled and a further 140,000 K.W. is being installed.

Cotton Textiles.—At partition there were 178,000 installed spindles; there are now 950,000 spindles installed or under installation. Looms similarly have increased from 4,824 to 13,300.

Jute Mills.—The Pakistan jute industry has been completely constructed since partition. At present 3,000 looms are in production, and Pakistan is already meeting internal requirements.

Woollen Textiles.—No woollen manufacturing capacity existed at the time of partition. Two woollen mills with 9,652 worsted spindles, and five with 4,906 woollen spindles are now in operation. Another woollen mill with 240 spindles is about to go into production. Machinery for 3,660 woollen worsted spindles has already arrived and is under installation.

Cotton Seed Oil Plants.—Four plants with an annual crushing capacity of 19,500 tons have been brought into production, while additional capacity of 57,500 tons is under construction.

Engineering Industry.—The existing engineering industry comprises a large number of workshops and a few fair-sized rolling and re-rolling mills. There has been an expansion in the production of a wide variety of articles, such as agricultural implements, oil expellers, sugarcane crushers, machine tools, lathes, light and heavy structural materials, surgical instruments, electric fans and lamps, sanitary fittings containers, etc.

Leather and Footwear.—A number of tanneries have been established by private enterprise and the present capacity is estimated at 12.5 million square feet of leather uppers, and 15 million pounds sole leather.

Cement.—At the time of partition, there were five cement factories, with a productive capacity of 600,000 tons per annum. These factories have since enlarged their production significantly.

Sugar.—The production capacity of sugar at the time of partition was 51,000 tons but actual production was very much less. Since then, private enterprise, with financial assistance from the Government, has been responsible for the setting up of a big sugar mill at

Mardan with a capacity of 35,000 tons a year. Another mill has expanded its capacity. The total capacity has now increased from 51,000 to 92,000 tons.

Oil.—Oil prospecting has yielded encouraging results. The production of oil in Pakistan has increased from 57,000 tons in 1948 to 200,000 tons in 1952. It helps to meet about 13 per cent. of the country's present requirements of refined products. Exploration, prospecting and drilling operations are in full swing. Drillings at present are being carried out near Chakwal in Punjab, Sui in Baluchistan and at Patiya and Patharia in East Pakistan. Oil has also been struck at Dhullian.

Cottage Industries.—The question of the development of cottage industries was considered by an All-Pakistan Cottage and Small-Scale Industries Conference held at Lahore in 1952. The recommendations made at that Conference have been accepted by Government and steps are being taken to establish a statutory Cottage Industries Development Corporation, which will look after the interests of cottage and small-scale industries.

12. Pakistan was faced with two serious problems during the period under review, the shortage of food and the balance of payments deficit. The first was averted by assistance from outside. But for this assistance the position would have been very difficult. The development programme would have received a serious set back if it had been necessary for Pakistan to provide foreign exchange from its own resources to buy wheat from abroad. The corrective measures taken have stopped the drain on foreign exchange reserves which have reached the position when no further inroads can be made on them. On the other hand Pakistan's development programme had reached a stage when it was just getting into full stride. The initial administrative difficulties were being gradually overcome, and the extent of development in considerable part depended on the availability of foreign exchange.

13. With reduced overall resources, the Government of Pakistan is taking steps to bring about an immediate increase in production and to that end has increased budgetary allocations for productive projects. The revised import policy directs the major part of Pakistan's foreign exchange resources to the import of capital goods and industrial raw materials, both public and private. There are new plans for additional projects including joint investment undertakings such as those of the Pakistan Industrial Development Corporation.

14. In view of these changes the Six Year Development Plan and the Two Year Priority programme, developed in 1950-51, now

require adjustment. For this purpose the Government of Pakistan announced the appointment in April 1953 of a new Planning Board to review these programmes. It is anticipated that the Board will be assisted by foreign technical experts.

15. In the revision of the development programme first priority will be given to projects which promise a quick increase in food production, or in other essential products. This statement of policy is reflected in the adoption of a 'Grow More Food' programme directed at immediate increase of agricultural output and in the higher priority given to other agricultural and irrigation projects.

16. A high level of external economic assistance will be necessary to permit Pakistan to proceed effectively with its development programme. The rupee proceeds from the sale of wheat have increased Pakistan's capacity to absorb foreign aid by making available additional domestic funds which will be devoted to economic development.

External Assistance

17. Foreign economic assistance continues to play an important part in furthering Pakistan's economic development programme. The necessity for such aid has been increased, as is apparent from the earlier discussion of the drastic decline in Pakistan's earnings of foreign exchange in 1952 and the occurrence of acute wheat shortages in 1952 and 1953.

Capital Aid

Australia.—Australian aid totalling £A 3·7 million in 1951-52 and 1952-53 has been committed for necessary imported equipment for the improvement of communications, land clearance and reclamation, irrigation and hydro-electric power generators. In 1953, Australia contributed an additional sum of £A 2 million for the purchase of wheat (45,000 tons).

2. **Canada.**—Canadian economic aid totalling \$ 10 million in 1951-52 and about \$ 9 million in 1952-53 has been committed primarily for the construction of a Cement Plant in the Punjab, the undertaking of an aerial survey of West Pakistan, equipment for the Warsak hydro-electric project in the N.W.F.P. and railway sleepers for rail-road reconstruction. In 1952-53 Canada allocated \$ 5 million of assistance for the purchase of wheat, and has already provided a similar amount in 1953-54.

3. **New Zealand.**—New Zealand's aid, totalling £ 500,000 in 1951-52 and 1952-53 is being utilised for two projects, the Nari Bolan Irrigation dam, and the construction of a Cement factory in Sind.

4. **U.S.A.**—The United States of America has contributed \$ 22.254 million during the two years period in T.C.A. assistance. This aid is being utilised to promote development in a number of fields including agriculture and irrigation, fertiliser imports and the construction of a 50,000 tons fertiliser factory, timber extraction, village aid, health and sanitation and education. In addition, the U.S.A. has contributed to the relief of Pakistan's wheat deficit as noted below.

5. **Ford Foundation.**—The Ford Foundation has granted \$ 2.85 millions in 1952-53 for the addition support of the village aid programme, and for technical education.

Loans and Credits

1. **International Bank for Reconstruction and Development.**—In 1951-52 the I.B.R.D. made loans totalling \$ 62.45 million for railway reconstruction and improvement, and for the purchase of agricultural machinery for the Thal Land Reclamation projects.

2. **Japan.**—In connection with its bilateral trade agreement Japan extended to private concerns in Pakistan in 1953 £ 6 million in five year credits for the importation of capital goods.

3. **United Kingdom.**—In 1953, the United Kingdom agreed to make available to Pakistan 10-year credits amounting to £ 10 million for the purchase of equipment for schemes directly or indirectly contributing to agricultural production.

4. The U. S. Export and Import Bank loaned Pakistan \$ 15 million in 1952 for the purchase of wheat.

Special Wheat Assistance

Although specific mention has been made previously of the assistance given to Pakistan in 1952 and 1953 by U.S.A., Canada and Australia, to meet its emergency requirements for food imports, special attention should be called to this aid both because of its total amount and because of the contribution made to Pakistan's domestic budgetary position by the sale proceeds of this wheat. In 1952, Pakistan received a \$ 15 million wheat loan from U.S.A. and a \$ 5 million grant from Canada. In 1953 U.S.A. provided 700,000 tons of wheat on a grant basis and another 300,000 tons are likely to be made available. In 1953 Canada and Australia also provided wheat totalling 100,000 tons.

Technical Assistance

18. Pakistan made extensive use of technical assistance from all sources and international agencies, details of which are in the Report of the Council for technical co-operation annexed to this Report.

The expert services made available to Pakistan have been utilized in the direct advancement of economic development projects, in the improvement of basic governmental services such as health, education and welfare and in the furtherance of public administration. The provision of a large number of facilities for training has enabled Pakistan to improve its governmental and professional services and to staff more adequately its economic development projects. It is needless to elaborate on the importance of the contribution of this extensive technical assistance to the permanent advancement of competence, planning and development in a new nation faced by vast problems of organisation and growth.

In addition to the personnel and training noted above, the contributing nations and organisations have made available to Pakistan considerable quantities of technical and scientific equipment, medical supplies and publications necessary to make the training efforts of experts effective and productive. While total values are not available for the quantity of materials supplied, they contributed to Pakistan's technical and economic progress.

The continuing programme

19. The following is a summary of major undertakings planned by Pakistan for the coming year:

(i) **Agriculture and Irrigation.**—The 1953-54 estimated expenditure for agricultural and irrigation development is Rs. 143·7 million. The principal undertakings planned are as follows:—

Thal Project: designed to bring into cultivation 1·5 million acres of which one half will be under crops by the end of 1956-57.

Rasul Tube-Well Project: will reclaim water-logged land and provide additional water for irrigation purposes for 100,000 acres by 1954.

Chuharkana Reclamation Project: through Tube Well irrigation and reclamation will bring 120,000 acres of land under crops by 1956-57 and improve 80,000 acres already under cultivation.

Punjab Canal Links and Hydel Projects: will provide assured water supplies to a major productive agricultural area.

Taunsa Barrage: will improve the water supply on 1,250,000 acres by new irrigation works to be completed in 1956-57.

Ganges Kobadak Irrigation Project: will provide improved water supplies to 2·2 million acres in East Bengal and by 1956-57, 100,000 acres of land will be brought under cultivation.

Lower Sind Barrage: will eventually bring 2·8 million acres under cultivation out of which 600,000 acres will be under crops by 1956-57.

Warsak Project: is a multi-purpose project which will bring 195,000 acres under cultivation; work on this is well under way.

Nari Bolan Flood Control Scheme: will bring an additional 100,000 acres under cultivation.

Grow More Food Campaign: a sum of Rs. 50 million is being spent on the reorganisation of agricultural services, gradual mechanisation of agriculture, establishment of large seed-multiplication farms, intensification of demonstration and propaganda, establishment of cattle breeding farms and cooperative societies.

(ii) **Power and Irrigation Projects:** in 1953-54 the estimates for expenditure on power projects and multi-purpose projects are Rs. 41·6 million and Rs. 81·1 million respectively. Mention may be made here of the following projects:—

(1) **Mianwali Hydro-electric Project:** with a capacity of 100,000 k.w.

(2) **Karanfali Hydro-electric Scheme:** with a capacity of 160,000 k.w. will serve an area of 15,000 sq. miles. Apart from reclamation of water-logged land it will bring another one million acres under cultivation.

(3) **Kurram Garhi Project:** will generate a capacity of 4,000 k.w. will bring nearly 150,000 more acres under cultivation.

(4) **Dargai Hydro-electric Project:** will come into commission in 1953-54 and have a capacity of 20,000 k.w.

(iii) **Transport and Communication.**—The estimated expenditure for 1953-54 is Rs. 68·2 million out of which Rs. 45·2 million is provided for roads, Rs. 1·1 million for air transport, Rs. 4·2 million for ports and Rs. 7·4 million for inland waterways. The road development plan of East Pakistan envisages the construction and improvement of 750 miles of roads to be completed over six year at a cost of Rs. 75·5 million. Capacity of the Chittagong port is being raised from 5 million tons at the time of partition to 30 million tons. The Chalna Anchorage is being developed at a cost of Rs. 75 million. There is a scheme to reconstruct the East Wharf at Karachi at a cost of Rs. 93·7 million and a dry dock at a cost of Rs. 18·9 million. The more important plans being taken in hand for the development of the railways are estimated to cost Rs. 168 million.

(iv) **Industrial Development:** the 1953-54 estimated expenditure on industrial development is Rs. 173 million. Much of this sum will be used to expand production in industries, the more important of which are described below.

Power: Installation of an additional 140,000 k.w. is in progress.

Cotton Textiles: further orders for 382,356 spindles and 1,800 looms have been placed recently. The total spindleage and loomage in operation after the installation of the machinery booked will be 1,332,356 and 14,309 respectively. There are indications that by the end of 1954 total number of spindles and looms in operation will be 1,889,000 and 25,000 respectively.

Woollen Textiles: another woollen mill with 240 spindles is about to go into production. Machinery for 3,660 woollen and 1,060 worsted spindles has already arrived and is being installed. Orders for the import of 2,890 woollen and 12,868 worsted spindles have been placed by various industrialists on foreign suppliers.

Jute Textiles: it is proposed to install a total of 6,000 looms. It is expected that by the end of 1954 all the new mills in Pakistan will have 6,000 looms working to full capacity on double shifts. They will be producing at the rate of 200,000 tons of jute goods per annum, including 300 million yards of hessian cloth and 130 million bags.

Cement: the following cement factories are being set up:—

- (a) **Hyderabad Cement Factory:** The total estimated cost amounts to Rs. 18 million and it is expected that the proposed plant will produce 400 tons of cement a day.
- (b) **Thal Cement Plant:** The total estimated cost is Rs. 26.5 million. This will have a capacity of 100,000 tons per annum.

Coal: the volume of coal production has already been stepped up from 300,000 tons a year in 1947 to 600,000 tons and the target of 800,000 tons given in the six year Plan will be reached before 1957.

Gas: the discovery of gas at Sui represents a valuable and timely supplement to Pakistan's supply of indigenous fuels. This is particularly useful for stationary heat and power installations and a ready made carbon-hydrogen molecular skeleton for the manufacture of synthetic fertilizers. The reserves of this gas are estimated at 2,280,000 million cubic feet and are sufficient to supply 100 million cubic feet per day for 60 years. This quantity of gas is the equivalent in effective heating value of 1,600,000 tons of imported coal every year.

Sugar: the Pakistan Industrial Development Corporation proposes to set up five sugar mills with an annual capacity of 10,000 tons each. The new mills are expected to be established by 1955-56 and orders for machinery have been placed. The total production will meet the bulk of internal requirements, which are estimated at 265,000 tons a year.

Wire and Cable Plant: the manufacture of wires and cables has been undertaken by a private company which proposes to establish the plant in collaboration with some British concerns.

Karnafulli Paper Mill: at Chandraghona in East Pakistan to produce 30,000 tons of paper per annum. The Mill will go into production by the end of 1953.

A high grade Board/Paper Mill: at Nowshera in the NWFP to produce 7,500 tons per annum of high grade board and paper from natural straws.

A Straw Board Mill: at Rashwali (Punjab) to produce 7,500 tons of Straw Board per annum from natural straws.

A 10-ton-a-day Caustic Soda: and an 8-8-ton-a-day **Chlorine Plant** at Nowshera in N.W.F.P.

A 50,000 tons per annum Ammonium Sulphate Fertiliser Plant at Daudkhel (Mianwali District), Punjab.

A. D.D.T. Plant: at Nowshera in the N.W.F.P. in conjunction with the World Health Organisation and the United Nations International Childrens' Emergency Fund.

A Superphosphates Plant at Lyallpur in the Punjab.—The production of sulphuric acid in West Pakistan being in excess of the present requirements, the Corporation is converting the Sulphuric acid plant at Lyallpur into a Superphosphate (Fertilizer)-cum-sulphuric acid plant to produce 6,000 tons of Superphosphate per annum. The scheme will be completed in 15 months.

Surveys for Rolling and Re-Rolling Mills and Iron and Allied Mineral Ores.—The Pakistan Industrial Development Corporation has conducted surveys for determining (a) the economics and details of electric furnaces and rolling and re-rolling mills, and (b) the nature and extent of iron and allied mineral ore deposits for development of iron ore smelting. Surveys for rolling and re-rolling mills and electric furnaces have also been conducted in conjunction with an American Firm who were engaged as consultants. Surveys for

iron ore smelting were carried out by a German firm whose services were obtained by the Pakistan Industrial Development Corporation. After examining possibilities in Chitral, Abbottabad and other areas of the N.W.F.P., the Salt Range and Thal in the Punjab, these experts have reported that there are reasonably good prospects of producing 50,000 tons of pig iron per annum. A very rough estimate of the cost is Rs. 15 million. More detailed surveys and investigations are now being taken in hand by the Pakistan Industrial Development Corporation in association with a well-known German firm to evolve definite schemes for the smelting of iron ore in the country.

PAKISTAN

Development Expenditure in the Public Sector, 1951-54
(Central Government expenditure including loans to Provinces)

	Actual 1951-52	Revised Estimate 1952-53	Estimate 1953-54
(In million rupees)			
I. <i>Agriculture and Irrigation</i>			
(1) Irrigation	96.8	108.3	123.7
(2) General	2.1	8.4	20.0
TOTAL	98.9	116.7	143.7
II. <i>Multipurpose Projects</i>	5.1	29.4	81.1
III. <i>Forestry</i>	0.4	0.7	1.5
IV. <i>Transport</i>			
(1) Roads	38.5	31.3	45.3
(2) Air Transport	6.3	11.8	11.4
(3) Ports and Harbours.	0.2	1.7	4.2
(4) Inland Waterways	4.6	10.3	7.4
TOTAL	49.6	55.1	68.3
V. <i>Fuel and Power</i>			
(1) Hydro-Electric	9.0	17.7	36.9
(2) Thermal Electric	0.4	0.1	4.7
TOTAL	9.4	17.8	41.6
VI. <i>Industries</i>	27.1	76.2	173.1
VII. <i>Social Capital</i>			
(1) Housing . . . . .	...	2.5	0.7
(2) Water Supply	0.1	0.2	4.1
(3) Health	4.3	7.9	12.7
(4) Education	11.8	23.2	23.8
TOTAL	16.2	33.8	41.3
VIII. <i>Research</i>	0.1	0.4	0.4
IX. <i>Other Projects</i>	82.4	74.9	9.8
GRAND TOTAL	289.2	405.0	560.8

PAKISTAN

Balance of Payments, 1951-53

	Dollar Area			Sterling Area			Non-Sterling Area			Total
	1951-52	1952-53	1951-52	1952-53	1951-52	1952-53	1951-52	1952-53	1951-52	1952-53
(In million rupees)										
<i>Receipts :</i>										
Jute	40.4	60.1	552.8	209.2	575.6	263.3	1,168.9	532.6		
Cotton	.8	12.7	116.8	118.6	691.9	516.8	809.6	648.1		
Hides and Skins	6.9	7.0	11.3	10.8	26.2	27.0	44.3	44.8		
Wool	14.5	24.0	111.4	19.5	14.0	7.9	127.4	51.4		
Total exports	64.5	105.6	811.5	410.6	1,319.8	825.5	2,195.8	1,341.7		
Other receipts	19.4	23.6	177.1	130.6	24.8	25.1	221.4	179.3		
Total receipts	83.9	129.2	988.6	541.2	1,344.6	850.6	2,417.2	1,521.0		
<i>Payments :</i>										
Imports on private account	95.9	144.5	948.4	594.2	890.1	475.4	1,934.4	1,214.1		
Imports & other payments on Government account	233.4	77.4	347.3	342.7	17.2	60.5	598.0	480.6		
Invisibles & other payments	13.3	16.7	255.4	160.7	85.6	55.9	354.4	233.2		
Total payments	342.6	238.6	1,551.1	1,097.6	992.9	591.7	2,886.8	1,927.9		
<i>Current Account :</i>										
Surplus/Deficit	(-)258.7	(-)109.4	(-)562.5	(-)556.4	(+)351.7	(+)258.9	(-)460.2*	(-)406.9		

*Errors and omissions Rs. 9.4 million.

CHAPTER IX

MALAYA AND BRITISH BORNEO

Economic and Financial Situation

1. The rise in the price of rubber, which was an outstanding feature of the economic situation of Malaya and British Borneo in 1950, reached its peak in February 1951 with the price at 5s. 6d. a lb. In every quarter since then except the quarter ending in December 1951, the average price has fallen and it is now 1s. 8d. a lb. Rubber accounts for nearly two thirds of the total exports from these territories and the result of this drop in price is reflected in the reduced value of total exports and an almost complete check to the rise in Government revenue in 1952.

2. The total values of exports were—

	* M\$ million		
	1950	1951	1952
Malaya (Federation and Singapore)	4020	5991	3711
Sarawak	377	508	437
North Borneo	94	120	69

These figures include re-exports which are especially important for Singapore. For Sarawak they include oil produced in the neighbouring State of Brunei but refined in Sarawak. Excluding oil the Sarawak figures would read 146,206 and 129. The second chief export of the Federation is tin. The average price of tin was £745 a ton in 1950, £1,077 in 1951 and £964 in 1952; the price now is about £660. Exports of locally mined tin (in metal) and tin (in concentrates) were valued at about M \$ 386 million in 1950, M \$ 394 million in 1951 and M \$ 463 million in 1952. During 1953 there was a further substantial fall in the value of exports.

3. Government revenues were approximately:—

	M\$ Million		
	1950	1951	1952
Federation of Malaya	443	736	721
Singapore	114	175	200
Sarawak	30	47	52
North Borneo	17	25	23

In the Federation export duties accounted for 33 per cent of the total revenue at M \$ 146 million * in 1950, 40 per cent at M \$ 298 million in 1951 and 35 per cent at M \$ 257 million (estimates only) in 1952. In addition cesses collected on rubber at the time of export,

*Exchange Rate M \$8.57=£1 (Sterling)
M \$3.06=\$1 (Dollar)

from which replanting is financed, amounted to more than M \$ 60 million in the years 1951 and 1952. Of the total receipts from export duties the duties on rubber and tin alone accounted for 96 per cent in 1950, 98 per cent in 1951 and 97 per cent in 1952. In Singapore there are no export duties and the main sources of revenue are income tax and import duties on liquor, petroleum and tobacco. The Singapore City Council also has a budget of nearly M \$ 60 million and is responsible for some 40 per cent of the development projects now under way in the Colony. In 1952 the rates of duty on liquor and tobacco and the City Council's general rate and licence fees were raised. In Sarawak increased rates of import duty on liquor and tobacco and of income tax on companies yielded an additional M \$ 4.5 million in 1952, and arrears of income tax accounted for about M \$ 13 million more. During 1952 however there was in general a fall in revenues.

4. Both the volume and the value of imports into Malaya (Federation and Singapore) also fell in 1952 but not to the same extent as exports, so that the export surplus was reduced to M \$ 43 million compared with M \$ 1097 million in 1950 and M \$ 1320 million in 1951. The surplus in Sarawak (leaving transactions in oil out of account) was reduced to M \$ 17 million and North Borneo had a deficit of nearly M \$ 8.5 million.

5. The following index numbers for Malaya (Federation and Singapore) all based on 1938=100, show the variations in the prices of goods actually imported and exported (including re-exports) and the decline in the volume of trade:—

	Imports		Exports	
	Average Values	Volume	Average Values	Volume
1948	276	124	229	87
1949	278	125	225	134
1950	317	170	339	175
1951	398	225	593	184
1952	356	200	433	155

6. With the break in the upward trend of import prices and a decline in the incomes of those engaged in rubber and other export industries, the cost of living also ceased to rise but there was no actual decline by the end of 1952 except in North Borneo. Wages were reduced in the rubber estates and tin mines, but the general level of activity remained high and wages did not decline generally. In Singapore wages tended to rise in a number of trades and many agreements giving increases in wages or allowances were negotiated.

7. Higher prices for imported capital goods and higher local wages, especially for skilled and semi-skilled workers engaged in building and construction, have raised the costs of projects substantially above the original estimates.

Revision of Programmes

8. Apart from the revision of estimates which has been necessary in all the territories to take account of the rise in the cost of material and labour since the various individual projects were drawn up and included in the development programmes, there has been little fundamental change in the plans except in the Federation. There, one of the foundations of the success gained so far against the communist terrorists has been the resettlement of the more exposed parts of the community in New Villages, where they can be given protection and all the other benefits of normal administration. The cost of this operation has been included in the estimates of expenditure on development. The Emergency has also made some changes in priority necessary and greater emphasis has been thrown in particular on the need for improved communications, including telecommunications. With the prospect of devoting more of the available resources in labour, materials and technical services to more normal social and economic development, however, a revision of the plan is proposed. It is intended that the revision should be undertaken after the completion of a basic survey of the economic resources and needs of the country by a Mission from the International Bank for Reconstruction and Development. The survey, which will also cover Singapore, is due to start early in 1954.

9. The total expenditure of the four territories on their Plans is estimated at nearly M \$ 230 million up to the end of 1951, M \$ 179 million in 1952 and M \$ 282 million in 1953. Expenditure by the end of 1953 is estimated to be approximately M \$ 389 million in the Federation, M \$ 220 million in Singapore and M \$ 82 million in Sarawak and North Borneo.

10. The exceptional economic conditions associated with the boom which followed the outbreak of war in Korea have enabled the Governments of all these territories to pay for the greater part of the work of reconstruction and development which they have carried out since then from revenue, and, with the exception of North Borneo, to accumulate revenue surpluses. Those conditions, however, no longer obtain and the time is already at hand when the Federation, faced since 1948 with the cost of the Emergency in addition, will require further external financial help if the needs of both security and development are to be met. The United Kingdom Government has undertaken to give help of this nature, and the

form and amount are now under discussion. There is no immediate need of such help in the other territories or ground for thinking that the rate of development in any of the territories will not be maintained for lack of funds.

External Assistance

11. Apart from M \$ 2.9 million from the United States towards the cost of wharves in North Borneo and some heavy earth-moving machinery for the Federation's road-programme, all major external aid for capital expenditure by the Governments of these territories has come from the United Kingdom. In addition there has been an increasing flow of technical assistance from Australia, Canada, India and New Zealand under the Technical Co-operation Scheme and some aid from the United Nations.

12. The outlays and commitments of the United Kingdom for rehabilitation and development now amount to some £65 million. This figure includes direct grants of approximately £21 million already made towards the financing of War Damage Schemes and interest-free loans to the extent required up to a further £19 million for the same purpose. It includes also investments of very nearly £14 million already authorised by the Colonial Development Corporation of which nearly £7.4 million has already been provided to the Corporation for the purpose. It includes a further £11 million from Development and Welfare Funds earmarked for expenditure in the area by the end of March, 1956, of which £3.3 million had been utilized by the end of March, 1953. Total assistance provided during 1952-53 (mainly payments for War Damage Schemes) was of £11 million.

Private Investment

13. Investment is encouraged from all sources. Remittance of profits on capital invested from overseas is permitted, and in the case of capital supplied for approved projects from places outside the sterling area, repatriation of funds so subscribed is permitted at any time through prescribed channels to the country from which they came. There is no restriction on the foreign ownership of capital invested in any enterprise, and there is no discrimination against overseas capital. Income tax reliefs allow for an initial allowance of 20 per cent on the cost of machinery or plant acquired for the purpose of a trade together with an annual allowance at prescribed rates. An initial allowance of 10 per cent is made for the cost of construction of industrial buildings or structures, together with an annual allowance equal to one fiftieth of the expenditure. There are no tax holidays, but losses incurred in the trade may be carried forward and set off against future profits.

The Federation of Malaya

14. Since the First Annual Report of the Consultative Committee was published in 1952, substantial progress has been made in the development programme of the Federation. Of the 546 schemes now included in the programme, 215 have been started, 64 had been completed by the end of 1952, and a further 73 should be completed by the end of 1953. Among the major projects which have been completed during the period under review may be mentioned the first stage of the Connaught Bridge Power Station (40,000 kilowatts), the inauguration of the National Grid linking three States, the re-laying of 200 miles of the East Coast Railway line, the physical re-settlement of some 450,000 squatters, the drainage, irrigation and settlement of 50,000 acres of paddy-land at Tanjong Karang, and the first phase of the Technical College at Kuala Lumpur, the final cost of which is estimated at M \$ 5.5 million. Many other major projects have been started, including the Trans-Perak irrigation scheme covering 180,000 acres of potential paddy-land, and a \$ 3 million Nurses Hostel at Penang. The area of rubber replanted with the aid of the cess imposed on rubber exports exceeds 50,000 acres. Good progress has also been made with the installation of a very high frequency Radio Telephone System linking Kuala Lumpur with Singapore, Penang, Ipoh and Malacca. Additional funds have been provided for the intensified work of the Rural and Industrial Development Authority, and a bill has been passed for the Authority's incorporation with effect from 1st January 1954. Mention may also be made of the completion, with the aid of the Mutual Security Agency, of the survey of the site of the proposed Klang Gates Dam in connection with a new water supply for Kuala Lumpur. In the field of private enterprise, a large factory for the manufacture of soap, cooking oil and edible fats has been completed at Kuala Lumpur, and is now in production, and a cement factory has been opened at Rawang.

15. As will be seen from the figures given at the end of this Chapter the total estimated cost of all public schemes of Development in 1953 is over £16 million sterling. This is substantially greater than the amount estimated to have been expended in 1952, though less than actual expenditure in 1951. At that time, as stated in the First Annual Report, the financial position of the Federation gave little cause for anxiety. This was in spite of the burdensome cost of the Emergency, almost all of which has hitherto been met from general revenue. In 1953, however, the picture has changed considerably as a result of the fall in world prices for rubber and tin, the twin pillars of the Federation's economy. Instead of a budgeted deficit of some M \$ 100 million it is now estimated that there will be a gap to be bridged of double this figure.

16. While steps have been taken to meet this deficit by economies, additional taxation, the proceeds from issues made under the \$ 100 million Security Loan 1952, and by drawing on reserves, the prospects are that an even greater deficit will have to be faced in 1954. It is true that heartening progress has been made in combatting the Emergency, but there is still no immediate hope of any substantial decrease in expenditure on Emergency purposes. These are estimated to account for as much as one third of the Federation's total expenditure. By the same token, any serious reduction or undue postponement of the economic and social development programmes would mean the persistence of conditions unfavourable to the final defeat of the Communist terrorists.

17. Thus the Government of the Federation, with its estimated population of 6.5 million, increasing at the rate of 2½ per cent per annum, is forced to review ways and means whereby it can continue to bear, even with outside assistance, the double burden of the Emergency and of essential economic and social development.

18. It is noteworthy that apart from the M \$ 100 million Security Loan 1952, of which M \$ 60 million has been issued to date, the rest of the public debt of the Federation, amounting to some M \$ 430 million, has been incurred for purposes of development. The loan programme has now been revised with the object, firstly, of financing capital development on schemes calculated to give early stimulus to economic progress, and, secondly, to provide relief to a revenue budget by removing almost every item which may justifiably be debited to loan charges.

19. Over the whole period covered by existing loan programmes the expenditure proposed on various categories of development is roughly as follows:—

	M \$ Million
Roads	142
Railways	110
Drainage and Irrigation	60
Housing	47
Water Supplies	66
Telecommunications	25
Sewerage	15
Rural & Industrial Development Authority	} 10
Topographical Survey	6½

20. The extensive programme may represent the limit of the Federation's capacity to finance essential capital developments from its own resources. But it still leaves out of account the requirements of many other substantial schemes, whose early execution

becomes increasingly desirable. It is clear, therefore, that the time is appropriate for a thorough and expert investigation of the needs and resources of the country, so that development plans may be realistically and confidently framed. In this task, the Federation Government will have the assistance of a Mission from the International Bank for Reconstruction and Development, which is expected to commence work early in 1954.

Singapore

21. Singapore is a free port, and the natural entrepot for surrounding territories. Trade is the basis of its wealth and prosperity and though increasing attention is being paid to encouraging the growth of secondary industries, they and agriculture play in comparison a limited role only. These points and the fact that some three quarters of the population of over a million live within the City area itself, have determined the shape of the Singapore Development Plan.

22. The emphasis is on improved social facilities; improved port facilities (wharf extensions and a new Graving Dock) and improved communications (a new International Airport and internal road extension).

23. Social capital projects have an estimated overall cost of some M \$ 387 million and represent 60 per cent. of the total cost of the Plan. Of this, M \$ 189 million is to be spent on Housing. This is a measure of the greatest importance since the rapid increase in population has led to serious overcrowding. Although the Government and the City Council have extensive building schemes in hand for their employees the major task of providing homes for the public is in the hands of the Singapore Improvement Trust. In the three years 1950-52 the Trust built over 4,000 housing units. Well over 3,000 additional units will be wholly or partially completed during the current year.

24. Since the last Consultative Committee meeting a satisfactory rate of constructional progress has been maintained in the Medical and Education Plans and both remain projects of the highest priority.

25. Against this background of social capital schemes, plans costing M \$ 257 million are under way to improve fuel and power resources, transport and communications, agricultural development and research facilities.

26. A new Power Station of two 25,000 k.w. turbo alternators is now in service to supplement, indeed overshadow the 32,000 k.w. capacity hitherto available. The ultimate capacity of the new station is 150,000 k.w. Of the total cost of over M \$ 129 million nearly

M \$ 77 million will have been spent by the end of 1953. It is hoped that this power availability will play an important part in increasing the expansion of secondary industries in Singapore.

27. The new airport at Paya Lebar covers 1,100 acres, has an 8,000 feet main runway and is designed to meet all foreseeable requirements of future type aircraft. Some M \$ 15½ million will have been spent by the end of 1953 out of a total estimated cost of just under M \$ 38 million. It is expected that the airport will be in use by early 1955.

28. The new graving dock will accept cargo vessels and tankers up to 600 ft. in length and will be the fifth graving dock in Singapore. Construction will be well advanced by the end of the current year.

29. Smaller projects include an expenditure of over M \$ 30 million on town planning and road redevelopment, the construction of veterinary quarantine stations and abattoirs, improvements connected with radio broadcasting facilities and the establishment of a Regional Marine Research Station. All of these have been started. The latter provides for a scientific exploration and investigation of the fisheries resources of the sea area 800 miles East and West of the Malaya Peninsula.

30. It is estimated that approximately M \$ 220 million will have been spent on development projects in Singapore between 1951 and 1953, and it is worthy of note that the ratio of development expenditure to total expenditure has shown a steady annual increase i.e. 12 per cent., 16 per cent. and 22 per cent. respectively. Actual development expenditure was M \$ 41 million and M \$ 65 million in 1951 and 1952 and is expected to be M \$ 114 million in 1953. The annual expenditure on non-social projects is increasing. By the end of 1952, 65 per cent. of the development expenditure had been on Social Capital projects, 30 per cent on Fuel and Power Schemes and 5 per cent. on all other types. In 1953, 50 per cent. of the expenditure will be on Social Capital projects, 33 per cent. on Fuel and Power, 14 per cent. on Transport and Communications, and 3 per cent. on the remainder.

31. With the exception of the relatively small Colonial Development and Welfare Fund grants the Development Plan has been financed entirely from local resources. The expenditure on projects financed by government has been met from current revenues. Funds for the Improvement Trust's Housing Programmes are provided by government loans. The City Council Projects are largely financed by loan moneys raised in Singapore by the issue of municipal debenture stocks though some revenue money has been applied to capital development projects.

32. Private investment continues and among the more important new light industries established within the last two years are the manufacture of yarn, metal boxes, plywood and cane products, roofing tiles, canned food-stuffs and edible oils. A boot polish factory and a rope manufactory are expected to commence production in 1953. It may be noted that the favourable terms set out in paragraph 13 above, which describe the conditions relating to the investment of private capital in the Malaya/British Borneo territories, are enhanced in the case of Singapore by its free port status and the consequent absence of any import duties on machinery or materials.

Sarawak

33. There has been no significant change in the broad outline already laid down for the development programme, the aims and objects of which are:—

- (a) To increase, with the aim of sufficiency, the production of foodstuff, the most important of which is rice.
- (b) To reduce the import of commodities which can be produced in Sarawak, and simultaneously to develop exports other than rubber.
- (c) To improve communications.
- (d) To associate private enterprise with industrial development and to provide an opportunity for local investment.
- (e) To improve and expand social services.

34. A Development Board, appointed in 1952, keeps the programme under constant review and minor adjustments are made from time to time to meet changing conditions. The Development Board has stressed the importance of keeping the development programme flexible and the Plan will be reviewed completely in 1954, and possibly revised if necessary. Such changes as have been made since the last report of the Consultative Committee include provision for an internal feeder air service and the development of a new port area for Kuching.

35. Up to the end of 1951 progress on the planned programme of development had been slower than had been hoped. Apart from the inevitable delays which must be encountered in the early stages of any development plan, when projects must be investigated and schemes proposed, there has been a shortage of technical officers, labour and materials. During 1952 greater progress was achieved; an increasing number of technical officers were appointed (though in some branches, especially engineering, difficulty is still being experienced in recruiting the staff required); equipment started to come

forward, and the labour position eased somewhat owing to the fall in the price of rubber. This state of affairs has continued during the year under review.

36. Expenditure under the Plan for 1952-53 is estimated at some M \$ 6 million as compared with M \$ 3 million in 1951-52. Of this 59 per cent. came under the head of Communications and consisted mainly of road and air development and tele-communications. Expenditure on economic development is estimated at approximately 77 per cent. of the total expenditure under development.

37. Rubber is the dominant factor in the economic and financial condition of Sarawak. Thanks to the boom in 1951, revenue amounted to M \$ 47 million and there was a surplus on the year's working of M \$ 25 million. In 1952 rubber exports declined. Pepper and timber exports, however, continued to rise. Revenue for 1952 amounted to M \$ 52 million and at the end of 1952 the General Revenue Reserve stood at about M \$ 60 million. Of this sum one-half is to be kept to meet shortfalls in revenue arising from the vagaries of the rubber market while the remainder will be available to assist in financing the Development Plan. The Plan calls for a contribution of M \$ 60 million from the country's funds of which about M \$ 9.4 million had been provided by the end of 1952 and a further M \$ 12 million was provided during 1953. Financial prospects for 1953 are at present not encouraging. There is no sign of any rise in the price of rubber, and pepper diseases are causing increasing anxiety. Additional revenue amounting to M \$ 4.3 million has been raised by an increase in the import duties on alcoholic liquors and tobacco and in the incometax on companies. On the other hand this trade recession has relieved the labour shortage and made it possible to press on again with development works.

North Borneo

38. The development problem in North Borneo is peculiar in that the task confronting the country is not only that of development but also of reconstruction necessitated by the almost complete devastation suffered during the war. Thus reconstruction and development have necessarily gone hand in hand, and it is not expected that new development will get fully into its stride until late in 1954, when reconstruction should be largely completed.

39. The main aims of the Development Plan, which was submitted in 1950, were:—

- (a) To correct an excessive dependence on a single productive industry, i.e. rubber.
- (b) To make the territory self-sufficient in foodstuffs, mainly rice.

- (c) To discover and exploit the extent and value of the territory's natural resources.
- (d) To raise the standards of health and education and social services generally within the economic capacity of the territory to pay for such services.

40. These aims remain unchanged, and there has been no material alteration to the form of the Plan although the general inflation in South-East Asia has made necessary a radical revision of the estimates of expenditure. Progress on development was retarded during 1951 and 1952 by the serious shortage of labour and the need to deploy much of the resources of the territory on reconstruction work. Towards the end of 1952 there was some improvement in the labour situation, but the shortage of adequately trained technical staff is likely to persist for some time. Despite these difficulties, progress in general has been good, but there have been serious delays in the road building programme, which is a most important part of the Plan, since adequate communications are a prerequisite opening up the country for development. It seems clear that the original roads programme was over-optimistic, but with more labour gradually becoming available progress should be better in 1954. New internal airways are coming into operation as airstrips are completed, and this should help to speed development by enabling supervising and inspecting officers to get about the country more quickly and more frequently.

41. Expenditure on reconstruction and development during 1952 amounted to almost M \$ 13 million, of which the main items were irrigation works, roads, railways and airports, electricity supplies, housing, health and education services. The revised estimate of expenditure for 1953 is M \$ 11.7 million, and the estimate for 1954 is M \$ 14.6 million. It is anticipated that this expenditure can be met from current Revenue surpluses, which it is estimated will amount to M \$ 7.3 million in 1953 and M \$ 6.2 million in 1954, from a loan of M \$ 4.3 million which is to be raised and from Colonial Development and Welfare grants which are expected to amount to M \$ 2.6 million in 1953 and M \$ 6 million in 1954.

Technical Assistance

42. The Governments of the Federation of Malaya, Singapore, North Borneo, Sarawak and Brunei have continued to make good use of the opportunities offered by the Technical Co-operation Scheme. Since February 1952 sixty-nine trainees have gone overseas, mainly to Australia and New Zealand, while twenty-four experts have been received and are now at work. Details are given in the Annexure to this report.

43. The territories have also welcomed the gifts of equipment they have received from Australia and New Zealand. Each of these Governments has made a grant of £ 5,000 to the library of the University of Malaya. The Government of Australia will also provide equipment for technical schools in Singapore and Kuala Lumpur. The same Government has sent a pedigree Hereford bull to Sarawak and is undertaking as a special venture the printing of a school textbook on geography.

APPENDIX I

FEDERATION OF MALAYA AND BRITISH BORNEO

Development Expenditure in the Public Sector, 1951-54

	Revised Ests.											
	Actual, 1951	1952			Estimates 1953			Sarawak			North Borneo.	
	Federa- tion of Malaya	Singa- pore.	Federa- tion of Malaya.	Singa- pore.	Federa- tion of Malaya.	Singa- pore.	Actual, Revised 1951-52 Estima- tes, 1952-53	Actual, Revised 1953-54 Estimates, 1953	Actual, 1952	Revised Estimates, 1953	Actual, 1952	Estimates, 1954
	1	2	3	4	5	6	7	8	9	10	11	12
(In thousands of £ Sterling)												
1. Agriculture—												
Irrigation	789.3	..	503.9	..	518.3	..	..	..	..	58	113.4	233.3
General	150.6	..	170.5	..	140.1	86.0	38	54	..	..	1.2	1.2
2. Multi-purpose projects	..	..	..	..	..	..	..	..	..	..	..	..
3. Forestry (includes wood fuel)	156.7	..	124.7	..	165.8	..	6	6	9	15.6	26.8	20.2
4. Fisheries	6.1	..	4.1	..	242.8	..	2	5	8	15.6	2.1	2.7
5. Transport and Communications—												
Railways	6018.9	..	1213.1	..	2455.8	..	..	..	..	145.0	46.7	102.8
Roads	400.6	..	280.4	1.5	472.8	43.6	61	369	750	181.7	129.6	301.6
Ports and Harbours	..	..	..	70.0	..	180.8	5	19	79	5.1	61.4	249.0
Inland Waterways	..	..	..	..	..	..	..	3	18	..	..	..
Shipping	..	..	..	..	40.8	..	..	..	..	..	..	..
Air Transport	224.3	..	33.2	373.5	50.8	1458.6	29	9	5	87.9	38.4	62.0
Tele-communication	1026.8	..	1662.8	24.2	303.2	110.5	11	12	427	..	..	..

FEDERATION OF MALAYA AND SINGAPORE

Balance of Payments

Estimate, 1953.

Actual, 1952

Actual, 1951

Part I.

December

January

December

January

December

\$ £ Other Total \$ £ Other Total \$ £ Other Total

(All Figures in £ Million)

Payments : Imports (c.i.f.)

Food and feeding stuffs .	7.5	51.7	71.5	130.7	4.3	59.1	70.4	133.8	4.0	59.5	73.0	136.5	93
Wheat .	0.6	4.9	0.1	5.6	0.3	5.7	..	6.0	0.5	5.5	..	6.0	
Rice .	..	2.6	27.0	29.6	..	3.8	26.7	30.5	..	3.8	26.7	30.5	
Other .	6.9	44.2	44.4	95.5	4.0	49.6	43.7	97.3	3.5	50.2	46.3	100.0	
Steel .	0.8	5.9	10.4	17.1	0.9	7.2	9.3	17.4	0.2	5.1	7.3	12.6	
Non-ferrous metals .	0.1	2.2	1.5	3.8	..	2.0	1.3	3.3	..	1.4	0.7	2.1	
Timber and products .	..	0.1	1.4	1.5	..	0.1	1.2	1.3	..	..	1.2	1.2	
Cement .	..	1.0	1.7	2.7	..	2.4	1.9	4.3	..	2.6	0.8	3.4	
Chemicals (including fertilizers) .	0.4	2.9	1.6	4.9	0.4	3.4	1.4	5.2	0.3	4.0	0.7	5.0	
Machinery and equipment .	2.0	7.9	1.9	11.8	3.5	10.5	2.5	16.5	2.4	9.5	1.9	13.8	
Vehicles .	2.5	15.3	2.5	20.3	3.4	16.5	2.7	22.6	0.9	12.6	2.9	16.4	
Petroleum and products .	4.1	11.0	29.6	44.7	6.3	17.0	42.9	66.2	4.0	20.4	46.2	70.6	
Other industrial raw materials .	0.5	28.9	142.6	172.0	0.5	15.3	61.6	77.4	0.4	11.4	46.2	58.0	
Manufactured consumer goods, etc.	12.3	71.8	57.1	141.2	8.7	53.9	38.3	100.9	6.9	42.7	30.7	80.3	
Total Imports (on Private as well as Government Account)	(a) 30.2	198.7	321.8	550.7	28.0	187.4	233.5	448.9	19.1	169.2	211.6	399.9	

FEDERATION OF MALAYA AND SINGAPORE—Contd.

Balance of Payments—Contd.

Part I,	Actual, 1951			Actual, 1952			Estimate, 1953.		
	December			January			December		
	January	£	Total	January	£	Total	January	£	Total
Receipts : Exports (f. o. b.)									
Rubber	155.3	162.1	461.0	65.5	76.9	219.7	46.1	54.0	154.4
Tin	7.3	23.5	67.4	19.7	18.2	60.1	30.4	6.2	55.3
Petroleum and products	1.8	18.4	25.1	4.8	25.3	37.5	5.3	26.0	41.3
Others	2.0	56.8	145.4	2.4	45.3	125.4	2.0	38.6	107.0
Total Exports	166.4	260.8	698.9	92.4	165.7	442.7	83.8	124.8	358.0
Invisible Receipts (Net)	0.1	-21.4	-25.0	-0.2	7.8	10.0	0.4	15.5	+15.8
Total Receipts	166.5	239.4	673.9	92.2	173.5	452.7	84.2	140.3	373.8
Current Account (Surplus or Deficit)	136.3	40.7	123.2	64.2	-13.9	3.8	65.1	-28.9	-26.1

(a) Figures in these two columns include imports of U. S. A. goods *via* Hong Kong *viz.* :—

1951	•	•	•	•	£13·4 million.
1952	•	•	•	•	£ 7·3 million.

which were recorded in the Malayan trade returns as imports from U.S.A. but which were not paid for in U. S. dollars.

CHAPTER X

OTHER MEMBERS OF THE PLAN

Cambodia

Cambodia is an agricultural country with a population of 4 to 4.5 million people. Of its area (44 million acres), approximately 10 million acres are cultivable and about 30 million acres are forest land. The principal agricultural crop is rice. Production is now well above the pre-war level. In 1952, production totalled about 1.4 million tons of which approximately 1 million tons were consumed in the country. Other important products include rubber and miscellaneous food and other agricultural commodities. Exports, excluding those to France, were valued at about £ 9.8 million in 1952-53 and are expected to be approximately the same in 1953-54.

2. Cambodia, which presented its five year development plan at the Karachi meeting last year has so far received no assistance from members of the Consultative Committee other than the United States. Only a limited amount of technical aid has been requested. Arrangements are being made to obtain an expert from Canada in technical education for the College Technique du Cambodge. Approaches have been made to Australia and Canada for equipment needed for public works.

Development Programme

As it does not have specialised technicians to prepare plans, Cambodia has not to date been able to revise its earlier plans so as to present a fully co-ordinated and balanced programme for economic development. An expert has been provided to Cambodia under the United Nations Technical assistance programme to assist in this work. Nevertheless, in order to meet urgent needs in the agricultural field, the Government has initiated and carried out a certain number of projects which are designed to give prompt results. These projects are made for a period varying from 1 to 5 years according to the financial position and the external assistance available. The details of the programme now being carried out are given at the end of this Chapter where the amounts which the Government is able to provide for the purposes are indicated.

2. In addition to this programme Cambodia has prepared a 5-year programme for flood control, drainage and irrigation which it considers to be of very high priority for the development of the country, but on which only limited progress can be made owing to the lack of financial resources. This project was submitted at the March

1952 meeting of the Consultative Committee. As a result of U. S. aid it has already been possible to initiate work on this important project. An amount equal to £ 136,000 has been made available for the irrigation work of the Barai and Choeung-Presy sections of the programme. After allowing for the part of the programme already initiated it is estimated that it will cost approximately £800,000 to complete the Five Year Programme. The Cambodian Government is specially interested in additional foreign assistance to speed up the work on these flood control and irrigation projects.

Laos

Laos is an agricultural country with a population of nearly 2 million. The basic crop is rice in addition to tobacco, coffee, cotton and other crops, almost all of which are for local consumption. Exports are relatively small.

2. In January, 1951, by Ministerial decree, a Commission was established to draw up a Five Year Plan. The execution of the Plan is entrusted to a special office for planning, the task of which is to co-ordinate the efforts of the various government departments. In the initial period it is contemplated that primary attention should be given to the improvement of agricultural production and communications.

For rice it is desired to improve the method of cultivation and the quality of seed by selecting from local seed types. Seed farms have already been established and a rice station is to be set up in 1954 to experiment and demonstrate the use of machinery and equipment in rice cultivation. The relative shortage of manpower makes desirable the increased use of machinery. Much work remains to be done to build embankments and irrigation canals in order to ensure better production.

3. Coffee production has suffered greatly from plant diseases. The Government desires to replace existing plants by disease resistant varieties but work on this has not yet started.

4. There are no railways in Laos and few of the rivers lend themselves to transport because of numerous waterfalls. Roads are not being properly maintained and cost of transport is very high. The Government contemplates a substantial programme of road and river transport improvement.

5. The financial resources of Laos especially in foreign exchange are very limited. Financial assistance has been received from the United States Government for agricultural, health, forests, communications and education projects. For the new projects contemplated in the immediate future the types of assistance most urgently needed are agricultural machinery including tractors, disc

ploughs and harvesters suitable for rice cultivation and trucks, bulldozers and other road building equipment.

Viet-Nam

Viet-Nam is an agricultural country with a population of about 25 million.

As a result of the state of war, which has continued for the last 8 years, military activities have prevailed in Northern and Central Viet Nam. In southern Viet Nam peace has permitted some improvement in economic conditions.

2. In order to satisfy urgent military needs and for other reasons, the Government has been compelled in recent years to concentrate on military undertakings or on those arising out of war difficulties rather than to reconstruct the economy. For example, all roads of a strategic nature have been either asphalted or widened. In order to assist the large number of refugees, an emergency programme was established to build a number of low-cost houses (824 houses in 1952). The railway net-work has been partly improved by increasing the number of wagons and locomotives and by rebuilding bridges, tunnels and aqueducts. Supplementary equipment has made it possible to handle 30 per cent. more cargo in 1952 than in 1951 in the port of Saigon. Improvements in ground installations and aids to navigation have made possible a greater use of air transport. Public works expenditures amounted to 324 million piasters in 1952 and 463 million piasters in 1953. Expenditure in this field is expected to rise to 1,000 million piasters in 1954.

3. In the field of agriculture some progress has been achieved. For example, there has been a gradual increase in rice and rubber production. In 1952 rice production totalled approximately 2.6 million tons. The 1953 rice plantings are reported to have been above the 1952 level and are expected to yield about 2.8 million tons. A start has been made in bringing back into cultivation land that had been abandoned. From 1951 to 1953 about 67,500 acres were recovered. The Son Tay irrigation network (25,000 acres) begun in 1951 has been in operation since 1952. The Gecong network serving 28,750 acres is being put back into working condition. A 16 mile dyke is being built along the coast at the mouth of the Mekong river. Credits totalling 15 million piasters were made available in 1953 as short term loans to assist the poor farmers in cultivating their land. The production of Rubber in 1952 amounted 46,000 tons as compared with 37,000 tons in 1951.

4. As a result of the introduction of mining machinery and improvement in transportation, coal production increased from 500,000 tons in 1950 to 900,000 tons in 1952 and is expected to exceed 1 million

tons in 1953. The pre-war annual production was about 2.5 million tons.

5. Electricity consumption increased from 180 million K.W.H. in 1950 to 238 million K.W.H. in 1953 and is expected to rise to 400 million K.W.H. in 1954. The pre-war figure was 100 million K.W.H.

6. Investments in forests totalled 200 million piasters in 1951-52 and 240 million piasters in 1952-53. They have resulted in a considerable increase in the out put of timber and timber products.

7. Expenditures on public health, especially in connection with campaign against malaria, and with village health education, amounted to 204 million piasters in 1952 and 220 million piasters in 1953.

8. All the developments outlined above were financed from the national budget, its resources having been supplemented by U. S. economic aid. This is not an inconsiderable achievement when account is taken of the demands of Viet-Nam budget; war expenditure has gone up from 48 per cent. of the budget in 1951 and 58 per cent. in 1952, to about 65 per cent. in 1953. The budget in 1952 was roughly 4,600 million piastres; today it is approximately 6,000 million piastres*.

9. Assistance in the form of material for public works, transport and radio-communication has been requested from Australia. Viet-Nam has accepted the Canadian offer of 6 Scholarships for studies in Public Health.

CAMBODIA

Development expenditure in the Public Sector 1951-53 (in thousands of piastres)

	1951	1952	1953
<i>1. Agriculture</i>			
General (excluding Government enterprises)	Nil.	Nil.	Nil.
Irrigation (Rice)	738	767	4,310(a)
Tobacco	250	250	250
Maize (Selection of seeds)	100	100	156
Kapok	50	25	30
Animal husbandry (Purchase of vaccines)	100	100	100
TOTAL	1,238	1,242	4,846

*60 piastres = 1 £. In May 1953 the piastre was devalued. The rate is now 101.7 piastres = 1 £.

(a) This figure is not included in the amount of IC\$ 81,345,000 for the 5-Year Plan submitted in Karachi which can be started only when the problem of finance is resolved.

	1951	1952	1953
2. <i>Forestry</i>	1,972	1,600	2,312
3. <i>Fisheries</i>	36	288	123
4. <i>Transports</i>			
Railways	6,911	17,725	..
Roads and Bridges	5,000	775	4,644
Harbours (Rivers) and shipping	3,637	4,713	2,340
TOTAL	15,548	23,213	6,984
5. <i>Fuel and Power</i>	No figures available.		
6. <i>Other Mining</i>	Do.		
7. <i>Social Capital</i>			
Resettlements . . . . .	..	1,000	3,000
Housing . . . . .	..	..	..
Water supply	10,000	15,000	18,000
Health	101,000	150,000	220,000
Education	99,621	123,287	163,636
TOTAL	210,621	289,287	404,636
8. <i>Others</i>			
Loans for Agriculture and Cottage Industry	23,567	22,034	29,857
GRAND TOTAL	252,982	337,664	448,758

CHAPTER XI

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT IN SOUTH AND SOUTH-EAST ASIA

As indicated in other sections of the Report the major part of the effort involved in the economic development programme is being made by each country itself, but several countries in the area have been helping each other, and member countries outside the area have been providing considerable assistance. The aid given by the different countries is described in the following sections. This assistance is generally additional to the effective contribution which many of these countries have made to such organisations as the International Bank for Reconstruction and Development and the United Nations Technical Assistance Programme.

Australia

In December, 1950, the Australian Government pledged a contribution of £ A31.25 million to the capital aid Programme and a contribution of up to £ A3.5 million to the Technical Co-operation Scheme.

By the end of 1952-53, £ A13.35 million, or more than 40 per cent of the total Australian pledge, had already been spent or planned for expenditure in India, Pakistan, Ceylon, and Indonesia.

2. During 1951-52, shipments of Australian aid consisted wholly of wheat and flour (valued at £ A3.7 million) for India, and flour (valued at £ A300,000) for Ceylon.

3. For Pakistan, many of the manufactured items comprising the Australian programme of aid were defined during 1951-52 and virtually the whole of the planned expenditure of £ A3.7 million has been utilised for supplies shipped or on firm order. Some of the major items on order with Australian firms are diesel locomotives (£ A800,000), pumping equipment for the Thal Development Authority (£ A900,000), broadcasting and tele-communications equipment (£A1 million), and pipe-manufacturing plant (£ A200,000).

4. At the beginning of 1953, the Pakistan Government asked for wheat under the Colombo Plan, to overcome a serious food shortage. Australia responded with a gift of £ A2 million for purchase of Australian wheat.



5. Of the total of £ A4.2 million planned for expenditure for India in 1951-52, £500,000 was reserved for supplies of manufactured goods. In 1952-53, a further amount, tentatively set at £ A2.5 million was intended for supply of goods of this kind.

Proceeds of local sales of Australian wheat and flour for India in 1951-52 were directed by the Indian Government to the Tungabhadra Multipurpose Project in Madras and Hyderabad. Australia agreed with India that supplies of Australian manufactured goods might also be directed to this project and orders have now been placed or are being placed in Australia for equipment valued at about £ A1.6 million, both for Tungabhadra and for the Ramangundam Thermal Project in Hyderabad.

6. The proceeds of local sales of Australian gift wheat to Ceylon in 1951-52 were used to establish tuberculosis clinics. In 1952-53, the Ceylon Government asked Australia to supply tractors, trucks, and agricultural implements to help restore rice production in Ceylon's dry zone. Accordingly, 190 tractors, with agricultural implements and 25 heavy-duty trucks have now been supplied to a total value of £400,000, bringing the cumulative total of Australian aid to £ A700,000.

7. After the decision of the Indonesian Government to participate in the plan, Australia made arrangements to supply equipment needed for Indonesian development projects. As a result, Australian tractors and trucks, valued at approximately £ A250,000, have been ordered and the first tractors were shipped to Indonesia in the latter part of 1952-53 for use in agricultural development.

8. Australia has also agreed to make some economic development aid available to Viet-Nam, Cambodia and Laos. The problem of fitting needs to Australian availabilities is now being examined.

Technical Co-operation Scheme

9. There has been a considerable increase in the number of awards to trainees, offering a wide range of facilities and access to special skills. There has been some evidence of a greater interest in courses offering practical experience rather than formal academic qualifications, and some recognition of the importance of vocational and technical training. A special development has been the further extension of facilities for group training in such fields as public administration, social services, and food technology. The number of persons received under both group and individual programmes amounted on 30th September, 1953 to 405.

10. It has not been possible fully to meet the demand of countries in the area for experts asked for under the Technical Co-operation

Schemes, although 23 have been supplied since the period covered by the last report.

11. The Australian Government is planning to spend up to £ A1.25 million on the provision of equipment under the Scheme. During the last year, this aspect of the Scheme has gathered momentum and, it is expected that it will be possible to supply an increasing volume of technical, scientific and educational material to countries in the area.

12. To date, Australia has supplied about £ A10,000 worth of equipment to Ceylon, consisting of instructional films, text-books, educational material and a building for an Art School. In addition, it has been agreed to supply another £ A21,000 for equipment for wood and metal working Schools and the publication of an illustrated book on the fish fauna of Ceylon.

13. For India, about £ A11,500 has been spent in supplying wool testing equipment and mobile cinema vans. In addition, consideration is at present being given to the supply of a wide range of equipment for technical institutions.

14. More than £ A11,000 worth of technical equipment has been sent to Pakistan, consisting mainly of equipment for the Thal Livestock Development and Research Farm. Co-operation between Canada, New Zealand, and Australia for assistance to the Thal Farm has been continued in the past eighteen months. Aid which consists not only in provision of equipment, but also in provision of experts is co-ordinated through a joint committee which meets at intervals in Australia.

15. Malaya and British Borneo have received equipment to the value of approximately £ A7,000 in the form of educational material and a library grant to the University of Malaya. A further £ A21,000 has been committed for equipping technical training institutions and a pathological laboratory.

Future Aid

16. The lines of Australian aid under both the capital aid programme and the Technical Co-operation Scheme are now fairly well-established.

Under the capital aid programme, it is intended that Australian assistance should continue to take the form of Australian manufactured goods which can be applied directly to economic development projects in Asian countries. It is hoped that, under the Technical Co-operation Scheme a greater amount of expenditure than at present will gradually be made on equipment although assistance in the form of training and provision of experts will be continued in accordance with requests received from Asian Governments.

Canada

Canada has so far made available to the countries of South and South-East Asia through the Colombo Plan, in a series of annual parliamentary votes, a total of approximately \$76.6 million. Of this amount \$75 million was for economic assistance and about \$1.6 million for technical assistance. In order to facilitate effective planning and execution, the Canadian parliament this year agreed to the carrying over of unexpended Colombo Plan monies from year to year.

Capital Aid

2. Canada has provided assistance to India, Pakistan and Ceylon in accordance with a general Statement of Principles agreed with each of these Governments. These principles envisage the provision of aid in the form of goods and services related to specific development programmes. Assistance may be on either a grant or a loan basis, depending on the nature of the project, but so far all capital assistance has been by way of grants. If the goods supplied by Canada on grant basis are sold by the receiving government, counterpart funds are set aside in the national currency to finance local costs of such specific development projects as may be agreed upon by the two governments. Although in particular cases the exact amounts of counterpart funds may be subject to discussion, they will normally be equivalent to the expenditure made by the Canadian government.

3. In providing aid to these countries, Canada recognises that they are generally in the best position to know their own needs and it is therefore left to their initiative to propose projects for Canadian aid. When deciding which projects should be accepted, the Canadian authorities take into account both the contribution which the particular project is likely to make to basic economic development and also the extent to which the required goods and services can be supplied from Canada. In practice the Canadian contribution has included commodities as well as equipment. While most of the goods and services provided have been of Canadian origin, some have been procured from outside sources when necessary to complete a predominantly Canadian portion of a project. The principal projects so far assisted have been in the fields of food production, transportation and public utilities.

4. In the first year of the Colombo Plan, the Canadian contribution of \$25 million was divided between India and Pakistan, with \$15 million allocated to India and \$10 million to Pakistan. In 1952-53, Ceylon was included in the Canadian programme and provision was made for about \$2 million of aid to that country with the remaining funds to be allotted to India and Pakistan in the light of programmes suggested by those governments. It would appear that approximately

\$13.7 million will be devoted to projects in India and approximately \$9.3 million to Pakistan. Plans for the use of the funds appropriated in 1953-54 are well advanced.

Any assistance which Canada might provide to other countries of the area would presumably be supplied on a basis similar to that used in the cases of India, Pakistan and Ceylon.

India

5. In view of the serious food shortage in India during the first two years, the Canadian programme included \$10 million for wheat in 1951-52 and \$5 million for the same purpose in 1952-53. Of the resulting counterpart funds it has so far been agreed that \$10 million will be used for the irrigation and hydro-electric project at Mayurakshi. This contribution to local construction costs will supplement the \$3 million of Canadian Colombo Plan funds earmarked for the provision and installation of hydro-electric equipment from Canada at this site. Since this equipment is being transferred by the Government of India as a loan to the project, it will in turn yield counterpart funds over a period of years.

6. Another project assisted by Canada, has been the modernization and expansion of the Bombay State transport system. Trucks, buses, tractors, and trailers, as well as a considerable quantity of tools and spare parts have been supplied out of the \$4.5 million allocated for the project. This equipment is being transferred by the Government of India on a loan basis and will therefore produce counterpart funds in due course.

7. In the field of transportation Canada has also agreed to supply a number of boilers for installation in locomotives manufactured at Chittaranjan. Canada's assistance to this project, which is expected to be between \$1.3 million and \$2.08 million, will also generate counterpart funds.

8. It is anticipated that agreement will shortly be reached on an additional programme of capital assistance to be financed from funds carried forward from 1952-53 and funds voted for the current fiscal year. This programme may include industrial materials as well as locomotives and other equipment from Canada.

Pakistan

9. Canadian assistance to Pakistan has included \$5.5 million for a cement plant in the Thal Development area, the output of which will be used for re-settlement housing and the lining of irrigation canals. Canada has also joined with the Governments of Pakistan, Australia and New Zealand in establishing a model livestock farm in the same area and will contribute machinery to the value of approximately \$200,000.

10. During the second year Canada undertook the financing of an aerial resources survey of Pakistan at an estimated cost of \$2 million. The photographic part of this survey is almost completed and Canada has agreed to an extension of the project at a maximum cost of \$1 million to cover the remainder of West Pakistan. In the extended survey, emphasis is being placed on agricultural potentialities.

11. In connection with the rehabilitation and modernization of the railway system now proceeding with assistance from the International Bank, Canada is contributing \$2.8 million worth of railway sleepers.

Three Beaver Aircraft, fitted with dusting and spraying equipment are being supplied at a cost of \$178,000 to assist in controlling the locust pest in Pakistan.

12. In view of the serious food shortage in Pakistan, the Canadian Government agreed that a total of \$10 million of Colombo Plan funds should be used for the provision of wheat with the understanding that an equivalent amount of counterpart funds would be set aside by the Pakistan Government for development purposes. For half of this amount Colombo Plan funds were used initially as a means of temporary financing and it is the intention of the Canadian Government to ask Parliament at the next session to replace these funds for additional Colombo Plan expenditures.

13. So far Canada has earmarked \$3.4 million for the purchase of hydro-electric and related equipment for the Warsak Dam. Canada may also provide consulting engineering services and certain light construction equipment for this project. Moreover, some portion of the counterpart funds generated from the supply of wheat may be used to meet local costs.

14. Although several projects are being examined, agreement has not yet been reached on the projects to be assisted from Colombo Plan funds voted in 1953-54.

Ceylon

15. The 1952-53 programme included \$1 million made available for a fisheries research and development project, and \$600,000 for the electricity transmission system in the Gal Oya area.

16. With respect to funds voted in 1953-54, agreement has been reached on certain specific projects, totalling \$1.785 million, including two diesel locomotives, equipment for 15 agricultural maintenance workshops, a number of pumping sets, a well boring machine for drainage and irrigation purposes, a rural road building programme and the constructing and equipment of a polytechnic institute.

The local costs involved in rural road construction and in the building of the polytechnic institute will be met from counterpart funds arising from the sale of flour supplied by Canada. The transfer of the diesel locomotives will also create counterpart funds. In addition to these specific items, the Canadian Government has agreed in principle to the provision of further assistance for the fisheries pilot project and for pest control.

17. Technical Co-operation.—There has been an intimate relationship between Canadian technical and capital assistance. In many cases, technical assistance supplied by Canada has given rise to capital projects while in other cases, capital projects which Canada was assisting have entailed the provision of technical advice and training from Canada. Thus aid so far given to the fisheries project in Ceylon was in part based upon advice and recommendations made to the Government of Ceylon by a Canadian fisheries expert. In connection with this project and other capital assistance projects such as the cement plant, the aerial resources survey and the Thal Development Farm in Pakistan, training is being arranged for personnel from the area. Although some distinction is maintained between capital and technical assistance activities, the funds made available by the Canadian Parliament for the two purposes are now covered by a single vote.

18. In view of the importance of an increase in training facilities in the area for farmers, foremen and other skilled or semi-skilled workers, several proposals for the provision of training equipment from Canadian Colombo Plan funds are under study. In addition to the decision to provide a polytechnic institute for Ceylon as part of the capital assistance programme, agreement has also been reached on the supply of some \$15,000 worth of equipment for the Agricultural Faculty of the University of Ceylon. The Government of Canada has also agreed to provide funds for the construction, equipment and maintenance of field stations in India and Pakistan to do experimental work on the biological control of insect and plant pests.

19. From 1950 to the end of June 1953, Canada provided training facilities for 116 fellows and scholars from countries participating in the Technical Co-operation Scheme in a large number of fields, among them aviation, business and public administration, co-operative marketing and film production. Special emphasis has, however, been placed on training in agriculture, medicine and engineering. Officials from India, Pakistan and Ceylon have come to Canada on technical missions to study developments in medicine, agriculture, highway and bridge construction and hydro-electric power. A training programme was given in Canada over a five month period to 12

junior administrative officers from the Pakistan civil service. Following on the visit of a medical mission, training is now being provided for 20 Indian doctors and nurses. With the co-operation of W.H.O., active consideration is being given to the provision of training facilities for trainees from Thailand in public health and medicine. Some 20 Canadian experts have been appointed to Commonwealth countries in the area and arrangements are being made to recruit a technical education expert to head the Technical School in Cambodia. In connection with projects being considered for capital assistance, engineering experts have been sent to India, Pakistan and Ceylon while a visiting Canadian team has explored the feasibility of extending assistance relating to co-operative and agriculture.

CEYLON

Fellowships for training in co-operative work were offered to the countries in the area. So far arrangements have been made for the training of 8 persons from Nepal, Indonesia and Malaya. A training centre for rural development work has just been completed with a part of Ceylon's contribution to the Technical Co-operation Scheme. It is proposed to offer several fellowships to the area very shortly. A part of Ceylon's contribution to the Technical Co-operation Scheme is also being used to finance the building of a training school for nurses in anti-tuberculosis work. Scholarships will be offered to the countries in the area as soon as the training school is ready.

2. Ceylon has also provided facilities for the training of fellows and scholars placed in Ceylon from various parts of the world by the United Nations and its Specialised Agencies. So far 16 such fellows have received training in various fields in Ceylon.

INDIA

In the field of economic development, India has so far made available Rs. 20 million to Nepal. Of this sum, Rs. 10 million is being spent on road and air communication between Nepal and India; Rs. 5 million on minor irrigation works and another sum of Rs. 5 million is to be spent on an aerial survey of the whole of Nepal. In addition road surveys for internal communications in Nepal have been undertaken at a cost of Rs. 100,000. The Government of India have also under consideration the extent to which additional financial and technical assistance will be needed by the Nepal Government to execute these projects.

2. In the field of technical co-operation, the Government of India have offered to provide to nominees from the countries of the region various training facilities at its engineering institutions, research

institutes for under-graduate and post-graduate studies, and practical training in railways and posts and telegraphs and other similar organisations. Fifty-five scholarships were offered in 1952-53 and 22 so far this year.

3. Sixteen candidates from Nepal have already been trained at the post and telegraph centre at Sharanpur. A few Officers from Nepal Government are due to arrive for training. Apart from this, arrangements are being made for about 70 to 80 candidates from Nepal both for under-graduate and post-graduate studies in the field of Communication, Health, Agriculture, Education and Research in various subjects.

4. India has been offering fellowships for each Semester of the International Statistical Education Centre at Calcutta. Up till now there have been six Semesters attended by 70 nominees from all other countries of the area.

5. Training facilities have also been provided for a number of candidates from Ceylon in such subjects as sugar technology, customs, rural radio programmes and surveys.

6. Three experts have been provided to Ceylon: one to advise on the iron and steel project, another to advise on Sericulture and a third as Chief Irrigation Engineer to the Gal Oya Project. Further requests are under consideration.

MALAYA

During recent months, the Malayan Governments, in partnership with the United Kingdom Government, have begun to make their contribution to the Technical Co-operation Programme. In 1952, Indonesian Trade Union officials visited Malaya. A broadcaster from Ceylon is now gaining experience with Radio Malaya and will be followed by three others. An agricultural officer from India is studying all aspects of the production of areca nuts in Malaya, and a tour by a Burmese officer who wishes to study the planting problems of rubber smallholders may take place later in the year. The Singapore Government has made an offer through the Bureau for Technical Co-operation of training facilities in Timber grading, Customs and Excise work, general labour administration, Architecture, Town-Planning and Housing and Estate Management. The Vice-Chancellor of the University of Malaya has visited Ceylon to discuss certain planning problems. Other ways in which assistance may be jointly offered by the United Kingdom and these territories are now under consideration.

PAKISTAN

Pakistan gave to Australia thirty heads of cattle for breeding purposes in new Guinea at a cost of Rs. 11,300.

2. Two fellowships have been given to Ceylon in the field of vegetable oil technology.

3. A general offer to provide training facilities in air traffic control was made, and Malaya has received two fellowships in the same field.

4. The Council for Technical Co-operation has been informed that Pakistan is prepared to provide training facilities for nine persons annually for three years in ceramics, leather manufacture and textile technology (including jute) at the Monotechnics in East Bengal.

NEW ZEALAND

The New Zealand Government has agreed to provide £3 million in capital assistance over the first three years of the Colombo Plan. In the first year, £750,000 was transferred. Of this sum India, Pakistan and Ceylon each received £250,000. In the second year, a further £500,000 was transferred, half to Pakistan, the other half to Ceylon. In addition, a further £1,128,000 has been set aside for specific projects in India (£750,000), Pakistan (£250,000) and Indonesia (£128,000). Thus, early in the third year of the Plan, £2,378,000 of the £3 million which New Zealand has pledged to contribute over three years has been transferred or earmarked for specific projects.

2. In India, the New Zealand grant of £250,000 is helping to meet the cost of constructing the All-India Medical Institute. For the same project, a further £750,000 has been set aside, to be paid over as progress is made in the construction of the institute. Plans for the Institute have recently been revised and improved. This involved delay but steady progress is now being made. The Indian Government is meeting the major share of construction costs, estimated in all about £3 million, as well as recurring costs. The Institute will make a special feature of social and preventive medicine. Its main purpose will be to provide facilities for postgraduate medical students and research workers from the whole of India.

3. In Pakistan, the first New Zealand grant of £250,000 was used to purchase overseas a pool of earth-moving equipment for the Nari-Bolan and similar irrigation projects in Northern Baluchistan. A large part of this machinery has now been delivered in Pakistan. The second grant, also of £250,000 was given to meet the cost

of purchasing overseas equipment to establish a cement factory in Hyderabad, in the province of Sind. Orders for a substantial part of this equipment have now been placed and negotiations are proceeding for the transfer of the further £250,000 which New Zealand has promised for the project. The cement produced by the factory will be used primarily to line irrigation canals emanating from the Lower Sind Barrage. The irrigated area will be suitable for both food and cash crops; processing industries will be developed and the construction of factory buildings, as well as housing, will provide a further demand for cement.

4. Ceylon has received two grants of £250,000 each. Both grants have been used to meet the capital cost of extending laboratories and other buildings and to provide modern equipment for a dry-farming research station at Maha Illuppallama. Overseas orders have been placed for most of the building materials and equipment required and the greater part has already been received in Ceylon. The "dry" zone of Ceylon occupies about two-thirds of its area but is mainly a waste of scrub jungle. Irrigation is possible only to a limited extent, because of the undulating nature of the country and the absence of any large river flowing all the year round. The task of the dry-farming research station is to explore all possible ways of making the "dry" zone productive. This includes an extensive study of soils, water resources and new agricultural methods.

5. The Indonesian Government has accepted an offer of capital assistance, and negotiations are proceeding to apply a grant of £128,000 to meet the capital cost of establishing a trade-training centre at Malang. New Zealand also expects to provide supplementary technical assistance for this project.

6. All the contributions of capital assistance by New Zealand have been by way of grants, given without condition except that the funds are applied to agreed projects accorded a high priority in the economic development programme of the recipient country. Progress reports and audited statements of expenditure are the only further requirement.

7. In the field of technical co-operation, New Zealand is adopting a policy of granting assistance in those fields, where the structure of New Zealand's economy provides the widest experience. This economy is based very largely on the agriculture of a temperate climate, New Zealand, having little experience of, say, tropical agriculture or heavy industry, two of the important fields in which the countries of South and South-East Asia require technical assistance to develop their resources. In response to the wide range of requests received, however, it has been found that New Zealand can

provide valued assistance in numerous fields of activity. For instance, up to the present, some 140 people have come to New Zealand for courses of training and their courses have included study in road and railway engineering, transport, education, public health, medicine, dental nursing, public administration, coal mining, animal husbandry, soil science, dairy technology, horticulture, pasture management and agricultural extension. Moreover, the 20 New Zealand experts provided to India, Pakistan, North Borneo and Malaya have rendered service in the fields of public health nursing, education, agriculture, road engineering, cost accounting and insurance. Apart from the provision of experts and courses of training, New Zealand is also providing equipment under the technical co-operation scheme but the New Zealand contribution in this respect has so far been comparatively small.

8. While each technical co-operation project is judged on its own merits, New Zealand, in principle, has a preference for training within the area, for experts to be employed partly at least in training local personnel, for equipment to be supplied in conjunction with the services of experts, and for the combination of technical and financial aid. New Zealand also recognises the importance of training at the level required for middle-grade workers and technicians. Again, New Zealand believes that the technical co-operation scheme could be made more effective by fuller collaboration, where appropriate with the United Nations and Specialized Agencies, in their technical assistance operations in the area.

9. The extent to which it has been possible to observe these principles has of course been affected by the nature of requests for assistance. Many of the requests have not come within the framework of these principles but they have nevertheless other merits and New Zealand has accordingly given assistance. There is a growing number of cases, however, in which it has been possible to observe these principles. In Pakistan, for instance, New Zealand, with Australia and Canada, is assisting in the establishment of the Thal Farm and is combining the provision of experts, as well as training in New Zealand, with supply of equipment. Similarly, in Ceylon, New Zealand is assisting in the establishment of a School Dental Service by combining the provision of experts, as well as training in New Zealand, with the supply of equipment. For Malaya, New Zealand has undertaken the training of eight trade school instructors in New Zealand and is prepared to consider the provision of any further assistance necessary for the development of trade school instructions in Malaya. New Zealand has also offered to attempt to provide some of the technical aid which may be required when the All-India Medical Institute is being staffed and

equipped. In conjunction with financial aid to Indonesia for the capital and equipment costs of a trade training centre in Sourabaya, New Zealand, in consultation with I.L.O., has undertaken to consider the recruitment of qualified teaching staff both for the training centre and for an instructors' training centre at Bandung.

10. New Zealand has agreed to contribute technical aid costing up to £400,000 under the Technical Co-operation Scheme. Some £120,000 of this amount has now been spent and there were actual commitments at 30th June, 1953, for the expenditure of a further £80,000. Thus aid to the value of £200,000, or half the original sum specified, has now been spent or committed.

UNITED KINGDOM

The United Kingdom has continued fully to support the efforts of countries of South and South-East Asia to develop their economies and raise the standard of living of their people.

The release of sterling balances to India, Pakistan and Ceylon has been continued in accordance with the agreements concluded within 1950/51. Approximately £42 million per annum of sterling has been, and will continue to be, made available over the six years of the Plan; the rate at which it is spent depends upon the economic circumstances of the countries concerned and the policies adopted by their Governments.

2. At the Commonwealth Prime Ministers' Conference held in London at the end of 1952 the United Kingdom Government announced its intention to maintain and increase the flow of capital for commonwealth development. As a means of carrying out this policy—

- (a) a Commonwealth Development Finance Company has been set up in London to provide independent assistance to sound projects within the Commonwealth; and
- (b) agreement has also been reached with the International Bank for Reconstruction and Development on the procedure whereby the United Kingdom should make available up to £60 million over a period of six years, out of its capital subscription to the Bank, for loans for projects in Commonwealth countries of the sterling area in order to advance Commonwealth development.

The United Kingdom Government, before making the finance available will wish to be sure that the project it is supporting will contribute to the economic strength of the sterling area, that the borrowing country is itself devoting an adequate part of its resources to investment designed to improve the sterling area's balance

of payments, and is ready to make a sufficient contribution towards the particular scheme in question to ensure that there is a common interest in carrying it through as efficiently and economically as possible. In this connection the United Kingdom Government has offered to make available £5 million of the £60 million referred to above for loan by the International Bank to assist two projects.

3. The United Kingdom extended to Pakistan a £10 million credit repayable over a period of ten years for the purchase of equipment in the United Kingdom for schemes directly or indirectly contributing to agricultural production at a time when Pakistan's balance of payments position was unfavourable.

4. The United Kingdom outlay and commitments for rehabilitation and development in the Federation of Malaya, Singapore, Sarawak and North Borneo now amount to some £65 million, of which approximately £11 million were actually spent in the period 1952-53.

5. The United Kingdom is a major source of supply for the area's imports of engineering products, and the year 1952 saw a pronounced improvement in the supply position for steel and other non-ferrous metals and capital equipment as compared with that described in the First Annual Report. This improvement became increasingly marked as the year advanced. The improvement was due to three developments. First, the supply of steel and other metals began to catch up with demand. In the United Kingdom new steel capacity was operated at record levels. Secondly, some of the most pressing of the post-war demands for re-equipment had been met. Thirdly, the nature of post-war demand for capital equipment had been reflected in the erection and operation of new plant for producing this equipment. These developments taken together meant that the immense task of supplying equipment to secure much needed development became a good deal easier. The improvement was not immediately apparent because orders placed in the past, when they were subject to long delivery dates, were still being fulfilled, but for current requirements over most of the field the United Kingdom is now in a position to meet demands without undue delay. Even in those sections of industry where the delays have been less easy to overcome there has been a marked improvement in the production position from that obtaining twelve months ago; this is due in some cases to special measures taken to remedy the difficulties. With material supplies becoming progressively easier this improvement should continue with corresponding benefit to deliveries.

6. The United Kingdom has continued to attach the maximum importance to meeting the needs of the Colombo Plan countries for technical assistance under the Technical Co-operation Scheme. Fully

subscribing to the belief, which has been endorsed both by the Consultative Committee and the Council for Technical Co-operation, that one of the most effective means of meeting the shortage of skilled manpower in Asia is the establishment and expansion of training facilities in the area, the United Kingdom has devoted particular attention to supplying technical equipment for training and research institutes. The United Kingdom has concluded, or is in the process of concluding, agreements for the supply of equipment for individual projects valued at over £700,000, while other requests estimated to cost some £300,000 are under examination. For example, in Pakistan steps are being taken to supply equipment from the United Kingdom for a cotton textile training centre at an estimated cost of about £140,000 and also equipment for a laboratory to serve as a nucleus for the Department of Scientific and Industrial Research laboratories (estimated cost £82,000). In India the United Kingdom has agreed to supply equipment to the value of some £25,000 to the Patel Chest Institute, Delhi, and various extensive requests are also being met for the supply of books and equipment for industrial and scientific research institutes. In Ceylon, equipment, is being supplied for handicrafts in secondary schools, to the Forest Department Research Laboratory, and to a number of other training and research establishments. For Burma, it has been agreed to supply equipment for an electroplating demonstration and training project; and it has been agreed in principle to supply Indonesia with teaching equipment at a total cost of over £25,000 for the Central Science Teaching Centre, Bandung, and for two other teacher training centres at Djogjakarta and Surabaya.

7. In the field of technical training, every effort has been made to arrange special facilities to meet the needs of individual technicians or administrators nominated for training in industry, medicine, research etc. Up to the end of June 1953 arrangements had been concluded for just under 400 trainees in the United Kingdom. These arrangements covered training in coal mining, the iron and steel industry, power engineering, cotton textiles, labour administration, dairy, husbandry and telecommunications.

8. By June 1953 the United Kingdom had offered the services of 110 technical experts covering a wide range of subjects. They included, among many others, such diverse experts as engineers for large irrigation and hydro-electric projects in India, an expert on education to advise the Government of India on secondary education, and a consultant to advise the Pakistan Government on the modernisation of their Telecommunication Training Establishment; a mission was also sent to advise the pharmaceutical industry in Pakistan on the use of indigenous drugs, and another to report on the needs of the Pakistan textile industry. Ceylon has been supplied with,

among, others, experts to advise on the re-organisation of the Irrigation Department; in the health services field one thoracic surgery team from the United Kingdom has already visited Ceylon, and a second team has just left for Ceylon. Offers have also been made of the services of firms of consultants for specific projects, and negotiations are reaching the stage of completion with the Indian Government for the provision of a team of consultants to carry out an extensive survey of the telegraphic system at present in operation in India, with the object of completely replanning and extending it.

UNITED STATES

United States technical and economic aid for countries in South and South-East Asia on a grant basis amounted to about \$ 138 million in fiscal 1952 and \$ 132 million in fiscal 1953. Appropriations available for use in these countries during 1954 amount to about \$ 160 million for such aid*. United States grant aid for South and South-East Asian countries for which provision was made in the fiscal years 1952 and 1953 combined was as follows (million of dollars): Associated States of Cambodia, Laos and Viet-Nam 48.5; Burma 20.9†; India 97.1; Indonesia 13.2; Nepal 0.7; Pakistan 22.7; the Philippines 51.7; Thailand 13.5; regional programmes 0.8; total 269.1.

2. In addition, the United States has over the two year period met threatening famine conditions in India and Pakistan with aid in the form of loans and grants for the purchase of wheat amounting to about \$ 300 million. To a great extent, local currency proceeds from the provision of this wheat, have or will become available for use in economic development projects.

3. The United States Export-Import Bank in the past three fiscal years has concluded loan agreements totalling \$ 69.2 million to Indonesia (of which \$ 36.4 million have been utilised) and \$ 20 million to the Philippines, largely for self-liquidating projects.

4. United States programmes in Colombo Plan countries in the Asian area are intended to provide such appropriate technical services and materials as can be made available and are desired by these countries to accelerate their development programmes. Hence, for example, the emphasis on agriculture in United States programmes reflects the importance and priority which these nations attach to the problem of providing sufficient food for their people. Similarly,

*All figures inclusive of U.S. Government administrative expenses entailed in the provisions of this assistance.

†This figure is inclusive of the value of deliveries yet to be made, whereas the figure given in Chapter III includes only deliveries completed by June, 30 1953.

United States assistance in the field of general education, technical training, health, industry, forestry, and mineral development has taken the form of participation on a co-operative basis in projects planned by these nations to make effective use of their human and material resources.

5. A brief summary of some of the salient features of U.S. bilateral programmes in the Asian countries participating in the Colombo Plan, appears below.

6. In the Associated States of Cambodia, Laos and Viet-Nam, the United States programme of technical and economic assistance has provided help in the resettlement of refugees and in increasing agricultural production, and in support to the governments efforts to provide adequate Public Services. In addition the United States is co-operating in the Associated States' campaigns against illiteracy and with the local public health authorities' campaigns to extend protection against malaria and to provide rural first-aid dispensaries and safe drinking water. In the field of public works aid has been given in improving port and harbour facilities, highways, housing and urban water supply.

7. While a decision to terminate the United States aid programme for Burma was taken by the Burmese Government early in 1953, by mutual agreement aid is continuing on certain projects which were under way at that time. Assistance has been principally in the fields of agriculture, health and education and in the rehabilitation of war-damaged facilities. In addition an economic and engineering survey incorporating recommendations for development plans has been prepared, under contract, for the Burmese Government.

8. The United States programme in India is directed in large part towards increasing agricultural productivity through such activities as providing technical advisory services and materials for India's Community Development Programme inaugurated in October 1952. Sizeable quantities of chemical fertilisers and steel for the local manufacture of farm tools have been provided in conjunction with this programme. In addition, programme funds have been devoted to irrigation projects planned and executed by the Government of India e.g. the drilling of tubewells and the construction of multi-purpose dams. Technical specialists have been furnished to textile, engineering, chemical and cottage industries and support has been given to training programmes of the Government of India.

9. U.S. programmes in Indonesia were devoted to co-operating in the expansion of food production by irrigation works, improvement of corn seed varieties, importation and distribution of chemical fertilizers and agricultural tools, malaria control, the introduction of

mechanized fishing methods, and the provision of equipment and technical advisory services in the field of small industry development. Under the 1951—53 programmes, an American engineering firm, under contract assisted in the fields of public utilities and industrial development.

10. A major objective of U.S. programmes in Nepal is to assist in the training and employment of village workers who can bring improved techniques to the cultivators and help them in making best use of the irrigation water and improved tools made available to them. U.S. technical advisory services are being provided to help carry forward the drilling of tubewells to irrigate some 8,000 acres, and to assist in combating malaria and to further the development of Nepal's mineral deposits.

11. In the Pakistan programme major emphasis has been placed on food production, including increased use of fertilizers. Under the United States aid programme for the fiscal year 1953, 75,000 tons of artificial fertilizer were provided to Pakistan for demonstration purposes, thereby not only adding about 180,000 tons of food grains to crop production but also demonstrating to farmers the use and value of chemical fertilizer. The United States is providing the foreign exchange costs of the fertilizer plant being constructed under contract at Daud-Khel and is furnishing technicians and equipment for the village Agricultural-Industrial Development Programme.

12. The participation of the United States in the Consultative Committee of the Colombo Plan is predicated on the belief that assistance should be within the context of well conceived national developmental plans. The success of these plans is promoted by frank and friendly discussions in the Consultative Committee of the plans themselves and of what needs to be done to execute them.

The view of the United States is that external assistance should supplement rather than supplant the efforts of the countries of the area to achieve economic progress. Accordingly the United States Government has sought to supply those components of specific selected projects which cannot be procured within the productive capacity of the country assisted.

U.S. procurement of goods and material for the assistance programmes is on the basis of global tenders. The flexibility of these arrangements has made possible procurement within the Colombo Plan area to some extent already, and to a larger extent later with resultant benefits to member countries in terms of trade and employment.

13. Increasingly there is evidence of more intensive effort by the governments of South and South-East Asia, in co-operation with private business, to construct and establish a climate for private investment favourable to the long-term growth of business and industry. It is the policy of the United States, in cooperation with the governments of these countries, to encourage their efforts to foster private initiative and competition and to improve technical efficiency. Clearly for the achievement of these ends private foreign investment, including American investment, has a contribution to make to the economic strength of these countries.

14. Private investment from the United States in enterprises in South and South-East Asia has made a continuing contribution to the industrial progress of the area for many years. By 1950 U.S. private direct investments in this area had a book value of over \$ 250 millions. Of this, more than one-half was concentrated in the Philippines, and investments in India and Indonesia combined amounted to about one-third. Approximately one-third were in the petroleum industry and one-fifth in manufacturing. U.S. private investment in the area is continuing at a moderate level under encouragement in each case by the individual government concerned.

15. The contribution of the United States to the Colombo Plan countries is, however, not limited to the efforts of the United States Government and private American businessmen. Effective and varied programmes of assistance have been undertaken by the Ford Foundation, the Rockefeller Foundation and other private organizations. Their combined efforts have contributed to progress in community development, secondary and higher education, and public health and medical care. Such aid, privately given by the American people, is further evidence of their good will for the peoples of South and South-East Asia.

CHAPTER XII

CONCLUSIONS

1. The Original Objectives

1. The original Colombo Plan programmes were laid down for the six year period 1951-57. One third of that period has now elapsed and it is possible to look back and to take stock of the distance which has been travelled along the path laid down in 1950. The First Annual Report was careful to emphasise that large scale projects take several years before they are completed and that the full benefits could not be expected until 1957 and afterwards; but the Report was able to record some visible signs of progress.

2. The 1950 programmes laid emphasis on three main fields of development: agriculture, power, and communications. As the preceding chapters have shown, the programmes have undergone, since 1950, extensive revision in detail to meet changing economic conditions; but the general structure still remains, and viewed from the vantage point of 1953 the original objectives seem to have been conceived on the right lines. In the 1950 Report the Commonwealth countries in the area looked forward to achieving by 1957 such results as 13 million more acres of land under cultivation, 6 million more tons of food grains produced annually, 13 million more acres of land under irrigation, and 1.1 million more kilowatts of generating capacity. The full achievement of these programmes would, it was realised, given the high rate of population growth and the inadequacy of savings and capital investment, do little more than hold the existing position; but their progressive execution would increase national income and with it the yield from taxation and the volume of savings. Thus the way would be prepared for an accelerated programme of development.

3. The desirability of maintaining, and if possible of increasing, the present tempo of development is beyond dispute. Standards of living are still very low. But even to maintain present standards a continued increase in total output is required, for the population of the area which is already between 600 and 700 millions, is growing at the rate of about 8 millions a year.

2. The Progress Achieved

4. At the present time the programmes of the Colombo Plan countries may be considered as having generally passed out of the stage of preparation and into that of execution. In some of the original country programmes, of course, a number of projects were

already under way when the Plan was launched. But it is broadly true that the programmes are only now reaching the stage where tangible returns on any considerable scale can reasonably be looked for.

5. Clearly the pressing need is to produce more food, both by opening up new land and by increasing the yields from land already under cultivation. New land can be opened up, where conditions permit, by irrigation, reclamation, or flood control. Yields can be increased by the use of fertilisers, by replacing present varieties of crops or animals by improved varieties and by better control of pests. Knowledge of these and other improved methods are being spread among the many millions of cultivators by such means as demonstration farms and agricultural instructors. Most countries have in fact devoted a large proportion of their programmes to measures (including community projects and extension service) which will directly or indirectly increase agricultural output.

6. Improved means of communication and increased supplies of power are basic forms of investment. They are assential to development, and they will remain essential whatever changes may be made from time to time in the general structure of the economy and in the types of goods produced. Better roads or railways enable the growers of agricultural produce to send their produce to more distant markets, where it is more needed and commands a higher price, and in general promote the expansion of production and trade in all fields. In the same way electric power is needed for many purposes, including irrigation and manufacturing.

7. Not all the programmes contain expenditure on various social welfare projects such as health, education and housing, which would be regarded as adequate. The importance of developing human resources is generally recognized, and the improvement of the health and knowledge of the people is very desirable, both as an end in itself and, in the long run, as a means of improving productivity. But the amount which a country can afford to spend on social welfare depends largely on the size of its national income. Development measures which directly increase output will enable a growing amount to be devoted to social welfare as the increase in national income per head provides a larger margin above the sums needed to maintain an adequate minimum standard of living. To what extent the growth of social capital should be promoted immediately at the cost of drawing capital away from more directly productive fields is a question which each country must decide for itself.

8. In money terms the amount spent by public authorities on development was greater in 1952-53 than in 1951-52, the first year of the Plan. This is shown by the following Table, which also gives estimates for 1953-54.

Public Authorities Expenditure on Development (1)

	(£ Million)		
	1951-52	1952-53	1953-54
	(Actual)	(Revised)	(Estimate)
1. Burma	11	17	29
2. Ceylon	20	23	27
3. India	219	264	332
4. Indonesia	37	60	46
5. Malaya and British Borneo	27	21	33
6. Pakistan	31	44	61
TOTAL	345	429	528

Food, Power and Transport

9. Much of this expenditure was in the three main fields above referred to. The following figures for India, Pakistan and Ceylon will serve to illustrate the relative importance of these three categories in the various programmes.

DEVELOPMENT EXPENDITURE IN THE PUBLIC SECTOR

	1951-52 (Actual)	1952-53 (Revised Estimate)	1953-54 (Estimate)
1. India (Rs. million) —			
Total expenditure	2,915.2	3,525.5	4,429.8
Agriculture—			
(a) Irrigation	260.5	348.2	470.0
(b) General	263.2	354.2	562.5
Multi-purpose projects	354.1	457.1	503.1
Transport	971.5	1,157.6	1,375.5
Fuel & Power	214.8	256.0	302.2
(2) Pakistan (Rs. million)			
Total Expenditure	289.4	404.9	560.8
Agriculture			
(a) Irrigation	96.8	108.3	123.7
(b) General	2.1	8.4	20.0
Multi-purpose projects	5.1	29.4	81.1
Transport	49.6	55.1	68.3
Fuel & Power	9.4	17.8	41.6
(3) Ceylon (Rs. million)			
Total Expenditure	270.9	303.0	355.0
Agriculture	66.3	90.9	103.1
Multi-purpose projects	61.4	48.0	30.0
Transport & Telecommunications	70.0	100.5	88.0
Fuel & Power	9.9	45.6	15.1

(1) The table does not include Cambodia, Laos, and Viet-Nam. These countries are carrying out some developmental and social welfare projects but they cannot embark on a full programme of developmental activity until their situation becomes more peaceful and settled. Nor does the table include Nepal. Nepal plans to make development expenditures in 1953-54 to the value of approximately £400,000.

10. Although many of the projects are long term in character, there are indications of a real advance in the first two years of the Plan. A review of the progress achieved by these countries whose six year programmes appeared in the 1950 report shows that, in the agricultural field, 3.5 million acres of land in India have benefited by irrigation works and the production of food has increased by nearly 5 million tons. Ceylon opened up 40,000 more acres of irrigable land. Pakistan (which suffered a heavy fall in the yield of agricultural crops during the period due in main to a severe drought) added 400,000 acres to the cultivated area and made progress with her irrigation works. The Federation of Malaya completed the irrigation of 200,000 acres of paddy land. In the field of power, India increased generation capacity by 315,000 k.w. Pakistan increased the total electric power capacity from 70,000 to 140,000 k.w. Ceylon increased her capacity by 25,000 k.w. Singapore has brought into operation a new power station with an interim capacity of 50,000 k.w., and the Federation of Malaya has also completed and brought into operation the first stage (40,000 k.w.) of a new power station. Transport accounted in 1952-53 for nearly one-third of India's estimated expenditure in the public sector (Rs. 1.157 million out of Rs. 3,525 million), and for a significant proportion of the development programmes of the other countries mentioned.

Main development in individual countries

11. The Chapters on the various countries have recorded numerous achievements, in the fields above mentioned and in others, of which the following may be repeated as leading illustrations.

12. *Burma* is still engaged in rehabilitating her economy after the extensive damage of the war period. A considerable amount of land has been reclaimed and is now under cultivation. In 1952, 633,000 more acres were sown to paddy than in 1951. A cotton seed farm was established for long-staple cotton; a dairy farm was set up with imported cows from Pakistan; seedlings were procured for planting 300,000 coconut trees. A large oil refinery is under construction and a small sulphuric acid plant is nearing completion. A number of Government buildings have been erected and several housing projects are under way.

13. In *Ceylon*, about 20,000 more acres of irrigable land were opened up in 1952-53, mainly under the important Gal Oya scheme, work on which continues to make satisfactory progress. The rural development scheme was in successful operation. Satisfactory progress was maintained in fisheries development. The improvement of Colombo harbour was well under way. Stage I of the hydro-electric scheme at Norton Bridge was completed, resulting in an increase in capacity

of 25,000 K.W. The plywood factory was re-organised and satisfactory progress was made with the vegetable oil, D.D.T. and Caustic Soda factory and with the paper factory.

14. In *India*, irrigation works benefited 3.5 million acres of land during 1952-53. The Central Tractor Organisation reclaimed some 510,000 acres. Owing partly to good seasons, but also as a result of these and other developmental measures, the production of food increased by nearly 5 million tons as compared with 1951-52. Work on Bhakra, Nangal, Damodar Valley, Hirakud and Tungabhadra and other projects was progressing satisfactorily. Power generation capacity was increased by 315,000 K.W. The fertilizer factory, the Chittaranjan locomotive factory and the telephone factory went into production. The production of fertilizer increased from 35,000 tons in 1951-52 to 230,000 tons in 1952-53. The construction of three ships was completed. 333 new railway locomotives were commissioned, which included 90 procured from domestic production. The two principal producers of iron and steel were expanding their production capacity. Two oil refineries were being erected near Bombay. The production of cotton cloth reached 4,700 million yards, a post-war record. The production of coal increased from 32 million tons in 1950 to 36 million tons in 1952, and that of steel from 1,004,000 tons in 1950 to 1,103,000 tons in 1952.

15. In *Indonesia*, considerable progress has already been made in approaching the goal of self-sufficiency in foodstuffs, especially rice. Imports of rice were reduced from 600,000 tons in 1951-52 to 300,000 tons in 1952-53. Rural education centres were set up to intensify extension work. The important programme for the transfer of population from over-populated areas to under-populated areas was under way. Work continued on irrigation projects. During recent years nearly 1 million miles of irrigation canals have been constructed. Progress was made with highway construction and other communications. A start was made on the South Borneo drainage plan, involving an area of nearly 500,000 acres. The motorisation of the fishing fleet began. The production of petroleum products was greatly increased. Various projects concerning industry, labour, health, social development and education were under way.

16. In the *Federation of Malaya*, the resettlement of over 400,000 squatters was completed. 50,000 acres were replanted with high-yielding rubber. At Tanjong Karang the irrigation of 50,000 acres of paddy land was completed. The first stage (40,000 k.w.) of the Connaught Bridge Power Station was completed. The gap in the East Coast Railway was closed by the relaying of 200 miles of line.

In *Singapore*, a new power station with an interim capacity of 50,000 K.W. has been brought into operation. Substantial progress was made with the new airport and with housing schemes.

In *Sarawak*, progress was made with development of roads and air transport and with telecommunications.

In *North Borneo*, schemes for irrigation, communications, electricity and housing were under way.

17. In *Nepal*, the construction of 79 miles of motor road to connect Kathmandu and Bhaise was started in September 1952 and the track has already been rendered fit to be negotiated by jeeps. Five important districts were connected with each other by air services. A systematic geological survey of Nepal was got under way. A central livestock development farm was established at Kathmandu. A village development scheme was inaugurated with trained workers.

18. In *Pakistan*, satisfactory progress was made with the various multipurpose and irrigation projects. The lower Sind barrage was brought to an advanced stage. The total electric power capacity was increased from 70,000 to 140,000 K.W. The cotton textile industry made remarkable progress. The number of spindles installed, or in process of being installed, amounted to 950,000 as against 178,000 at the time of partition. Similarly, the number of looms increased from 4,824 to 13,300. The jute textile industry also made satisfactory progress. 3,000 looms were already in production and were able to meet the internal requirements of the country in respect of jute goods. Two woollen mills with 9,652 worsted spindles and five mills with 4,906 woollen spindles, went into operation. Machinery for 3,660 woollen and 1,060 worsted spindles had arrived and was under installation. Four cotton-seed oil plants with an annual crushing capacity of 19,500 tons had gone into production and additional capacity for 57,500 tons was under construction. A sugar mill with an annual capacity of 35,000 tons of sugar was established. A 50,000 ton Ammonium Sulphate fertilizer plant is under construction.

19. In *Viet-Nam* the area under rice has increased by nearly 500,000 acres since 1951. The consumption of electric power increased from 195 million k.w.h. in 1952 to 238 million k.w.h. in 1953. The output of coal increased from 638,000 tons in 1951 to 894,000 tons in 1952 and is expected to exceed 1,000,000 tons in 1953.

3. The Task Ahead

20. Much obviously remains to be done. As has been shown in Chapter II, the end of the boom in raw materials prices has left most of the countries in the area with greatly reduced resources while at the same time the costs of their development programmes have

risen appreciably above the 1950 estimates. They cannot base their plans on the expectation of a rise in their export prices in the near future. Nevertheless it is fundamental that despite all difficulties they should continue to move forward with their development programmes as rapidly as possible.

21. The burden of economic development programme in any country has to be borne in the main from the resources of the country itself. External aid can greatly assist the process and may even at certain stages be vital if the vicious circle of lack of saving and lack of development is to be broken. But however important, it can only be supplemental. It is, therefore, clearly necessary for the countries of the area to make the maximum effort to mobilise their own resources.

22. Most countries have already taken some steps in that direction. They are making further efforts to encourage voluntary savings. Some taxes have been increased, and there has been a general move to make the administrative machinery for the collection of taxes, especially income-tax, more efficient. Several countries have set up Provident Funds, with compulsory contributions from employees and employers and Ceylon and Malaya have each imposed a levy on rubber exports to provide a fund for replanting.

4. The Resources Needed

23. Each country must continuously review its development programme in the light of the resources available or expected to be available to it. It must make realistic assumptions regarding the amount of capital which will be available, from both internal and external sources. It must consider also whether the equipment and materials needed can be readily procured, and whether the various types of managerial and technical personnel and skilled workers who are needed will be available or can be trained in sufficient numbers. Each project must be studied in detail, to make sure that it is technically sound and that the returns will justify the outlay, before capital is invested. The different schemes must be given relative priorities in order that first things are tackled first and that the best use is made of the resources available.

24. The extent to which development plans have been carefully prepared and co-ordinated, and are not merely a list of desirable projects, varies between the different countries in the region. But all are learning by experience. Some have planning commissions or similar bodies which keep the progress of the various schemes under constant review and suggest changes in the programmes or in relative priorities, when such revision seems desirable owing to experience gained or to changes in conditions since the plan was drawn up. The programmes of nearly all the countries must be regarded as somewhat flexible.

25. Ceylon has had the benefit of a visit by a Survey Mission from the International Bank, which has advised on its development programme, and Malaya is awaiting guidance from a similar Mission, due to arrive early next year.

26. The successful execution of these plans will depend on the extent to which the three main components required are or can be made available. These are, capital goods; trained men; and finance.

Capital Goods

27. Early in 1952 the countries in the area had been much concerned about the availability of capital goods, which were then in heavy demand for many purposes. By the end of 1952 there had been a marked improvement in the range of lighter capital equipment, and at the present time delivery dates for all kinds of capital equipment are generally speaking normal. This improvement in supplies is due in large measure to the easier position of steel supplies. Although prices are still high in relation to 1950 levels, the supply of capital goods, provided that finance is available, should not present undue difficulties.

Trained Men

28. Technical co-operation was intensified and extended in the area during 1952-53. The number of requests for assistance increased as more countries came into the plan and the economic development programmes of the other member countries got under way. This increase in technical co-operation has made for a closer relationship between capital development and technical co-operation. A related tendency was an approach towards a better balance between training at home and training abroad. In the short run, the main emphasis must be on the preparation and execution of plans which will result in increased production in the shortest possible time, and for this purpose some countries have placed a good deal of reliance on experience and techniques which are at present only available from abroad. From a longer point of view, the countries of the region aim to develop facilities for training more of their own technicians of all grades from the mechanic and the agricultural extension worker to the university professor and the social scientist. There will always be room for exchanges of experts and trainees as there is and always has been between even the most highly developed countries. Medium and lower grade technician in every branch of industry and administration (whose role is just as important as that of the qualified professional men and who will be needed in millions rather than thousands) can only be trained in their own countries. Consequently technical co-operation funds have been used to establish and equip training institutions in the countries of the region. It takes time to develop institutions of this kind, but unless the task is attended to urgently some

of the projects now being started may wither away owing to lack of trained men of all kinds. The development of training institutions within the area is something to which all the technical assistance organizations can contribute and the Technical Co-operation Scheme may have a special part to play in connection with the provision of equipment.

29. The basic concept of the Colombo Plan has been co-operation, with each member country doing what it can to assist in the development of the area as a whole. Acting in this spirit, Ceylon, India, Malaya and Pakistan are joining the other donor countries offering facilities for training in their countries, and the possibility of extending these facilities within the area is being considered by the several governments. Since the development schemes in operation in any particular country of the region are likely to be repeated elsewhere with certain modifications, the planners, managers, engineers and trainees can often learn more from such a project actually being carried out in the area than from a completed project in an already developed country, where conditions may differ from those of the region and where more emphasis has to be put on replacing men by machines. To promote this kind of training, the Council for Technical Co-operation has agreed that capital expenditure on buildings is a proper charge on a country's contribution to the scheme provided substantial benefits are offered to other countries in the area.

30. Now that the various schemes have gathered momentum, the Council is about to take up the task of measuring the impact of the Technical Co-operation scheme on the several economic development programmes. The Council may be able to report progress in this respect in the coming year.

Finance

31. During 1950-51 most of the countries enjoyed very favourable terms of trade. The prices of most of the raw materials and primary products which form the great bulk of exports had risen sharply. The consequent increase in export earnings, national incomes, and public revenues enabled the countries in the area to finance their development programmes almost entirely from their own resources.

32. During 1952-53 this was no longer the case. The prices of most of the exports had fallen considerably from the boom levels, and the terms of trade had appreciably worsened. Public revenues fell off, and budget deficits replaced, or threatened to replace, the overall budget surpluses of the boom period.

33. Under these conditions, the Governments maintained or increased their expenditure on development only by drawing heavily

on their reserves and by external aid in the form of loans or grants; and, in some cases, by raising internal loans. Some were compelled to engage to some extent in deficit financing by borrowing from the Banking system in order to meet their current expenditure.

Deficit Financing

34. One way to increase the fiscal resources available to governments for public expenditure on development is to increase the total money supply and simultaneously to place the additional money supply in the hands of the Government—that is to engage in what is commonly known as deficit financing.

35. To follow this course will inevitably aggravate the risks of inflation that are inherent in any intensive investment effort. Such risks are inherent because, during the period until the new productive facility comes into full production, investment increases spendable incomes without proportionately, if at all, increasing the supply of consumable goods. To resort to deficit finance aggravates these risks because, in contrast to financing development by taxation and borrowing, no spendable income is withdrawn from the hands of the public to offset the additional incomes created.

36. In view of the low level of *per capita* incomes in most countries of the area, the consequences of inflation would be particularly serious. Inflation necessarily entails real hardships for large numbers of people who are unable to increase their money incomes to meet the higher prices. Moreover, it is difficult in these countries to increase the output of consumer goods quickly. For these reasons the extent to which deficit financing of investment programmes can be used in this area is relatively small.

37. It is recognised, nevertheless, that, if other means of finance are inadequate a country may have to choose between the dangers of inflation and the risks of failing to develop the national economy to keep pace with the growth of population.

5. Private Investment—Domestic and Foreign

38. From the outset of the Colombo Plan it has been recognized that private capital, both domestic and foreign, would be needed to attain the desired objective. A large part of public developmental expenditure is on projects which for one reason or another are not suitable for private investment. Where it is in the public interest to provide services free (e.g. roads) or at a relatively low charge (e.g. water) there are no opportunities for making profits. A large-scale irrigation project for example might give high returns in the form of increased output but would not be undertaken by private enterprises. It was hoped that public expenditure on such basic purposes as the improvement of transport and communications and

the development of electric power would pave the way for private investment and would help to attract it. Such public investment might in other words be described as a development stimulator.

39. Throughout this area, the amount of local capital available for large-scale investments is not very great. In most of these countries large-scale investments of capital, especially where the prospects of profit are uncertain, must often be made by the Government itself, or they might not be made at all. Private enterprise may be unwilling to take risks in new and untried fields. Hence Governments, in the interests of the community as a whole, enter fields such as certain branches of manufacturing (the fertiliser factory at Sindri in India is a recent illustration) which in more developed countries would usually be left to private enterprise. In some instances, the Government intends to transfer such enterprises, once they are well established, to private hands. Another possibility is for the Governments to attract private capital into a new field by offering to participate with it in a joint venture. This policy has been adopted for certain industries by the Government of Pakistan operating through the Pakistan Industrial Development Corporation.

40. In most countries there has been an appreciable increase in domestic private investment, although comprehensive figures are not available. But more is needed, and several governments are offering special inducements in the form of income-tax reliefs or generous depreciation allowances in order to attract more domestic private capital.

41. The measures taken to encourage domestic capital investment also serve to attract foreign capital and are an earnest of the wish of the countries concerned to welcome such capital. In most countries national treatment is accorded to foreign enterprises, and facilities are given for remittances of profits as well as for repatriation of new capital investment. In view of the keen competition that exists for foreign capital all over the world and the opportunities for profitable investment in the countries of origin, it is recognized that the amount of foreign capital which would be attracted to this region would in any case fall short of its needs. There is no doubt that the countries of the region will review the situation from time to time and take such additional measures as may be required. One hopeful approach to this problem is to invite foreign capital on a specific-project basis on mutually agreeable terms.

6. Individual Self-help

42. The broad objective is to increase output in order to raise standards of living and to provide larger margins for saving and investment, thereby paving the way for further expansions of output. A very important way of helping to achieve this objective, and a way which requires little or no capital is for individuals to help themselves

by working harder and more efficiently. The knowledge of improved methods is being spread by such means as Agricultural Extension Services, and Governments are making efforts to inspire a wish for new knowledge and better ways of life, and consequently a readiness to adopt improved techniques among the mass of the people.

43. The practice is spreading of local communities helping themselves by providing for their own needs, for example by building roads and schools or digging wells and small irrigation channels with their own voluntary labour. In some instances Governments have shown interest in, and have assisted such community projects.

7. Importance of International trade policies

44. Most countries in the area export a considerable part of their output, and the prices of their main exports are subject to wide fluctuations from time to time. The size of their national incomes and therefore the extent to which they can finance developmental programmes from their own resources, depend to a considerable degree on external trade. This dependence on world markets means that the success of plans for future development in the area may be greatly affected by the outcome of the international discussions and of the reviews of national economic and trade policies which are now taking place. As producers and exporters of raw materials, several countries in the area have a great interest in measures, such as commodity agreements, for securing stability in prices at reasonable levels and the urgency of continuing the international efforts to promote such agreements can hardly be over-emphasised.

8. Conclusions

45. The Colombo Plan programmes are reaching a crucial stage. The countries of the area have shown their determination to carry them through, and the decline in export earnings, while it has added greatly to the difficulty of the task, has made it more than ever necessary to press ahead with the development programmes.

46. The success of these efforts will depend on three conditions: First they must concentrate on the essentials of their programmes and must make the fullest use of all their resources, human, material and financial. Secondly, they must follow sound internal policies designed to check inflation and secure the highest possible level of saving and investment. Thirdly, the present flow of external financial aid must be continued and, if possible, increased.

47. The difficulties are indeed formidable. But difficulties can be a spur and a challenge, instead of a deterrent, and the Colombo Plan countries have shown that they can plan both boldly and realistically and readjust themselves to good fortune and bad. Their courage and resourcefulness, have been severely tested in the last year, and the manner in which they have responded is perhaps the surest guarantee that the Colombo Plan will come up to, and even surpass, the hopes with which it began.

ANNEXURE

REPORT OF THE COUNCIL FOR TECHNICAL CO-OPERATION IN SOUTH AND SOUTH-EAST ASIA

Introduction

The Report of the Council for the period ended 31st December 1951, was published as an Appendix to the Report of the Fourth Meeting of the Consultative Committee which was held in Karachi in March 1952. The Council's Report on its activities during 1952 was published as a separate document in April 1953. The present Report brings the position up to date to 30th June 1953.

2. Indonesia became a member of the Council in February 1953, but otherwise the membership is unchanged. Mr. R. Coomaraswamy remained President of the Council throughout the period and there has been no change in the staff of the Bureau. Dr. P. W. E. Curtin of Australia has however been appointed to replace Mr. G. M. Wilson as Director as from August, 1953.

Statistical Summary

3. The flow of technical assistance has increased steadily and shows a marked increase on the figures for 1951. The cumulative figures of experts and training facilities requested and provided since the inception of the Scheme up to 30th June 1953 are shown in Table A. Up to the end of 1951, 45 experts and facilities for 309 trainees had been provided. The corresponding figures for 1952 are 90 and 538 and for the first half of 1953, 42 and 298, making a total of 177 experts and 1145 training places. An analysis of these figures, giving details of the experts and training facilities provided by and to the various countries is given in Table B. The broad fields of activity in which assistance has been requested by and provided to each country in the region are set out in Appendix I. Appendices II and III give the figures for technical assistance provided to the area by the United Nations and the United States up to 30th June, 1953.

TABLE "A"

*Applications for Experts and Training Facilities up to
30th June 1953*

Country	Experts		Trainees	
	No. Applied for*	Number provided	Number of places applied for*	Number of places provided
Brunei . . .	..	..	2	2
Burma . . .	1	..	12	7
Ceylon . . .	110	69	424	268
India . . .	67	39	486	352
Indonesia . . .	..	..	78	76
Federation of Malaya .	45	17	130	65
Nepal . . .	..	..	21	10
North-Borneo . . .	21	4	12	11
Pakistan . . .	61	45	402	281
Philippines . . .	..	..	30	28
Sarawak . . .	3	2	13	12
Singapore . . .	1	1	17	16
Thailand . . .	..	..	17	17
	309	177	1644	1145

*Applications withdrawn or in suspense are omitted from these figures.

4. Ceylon, India and Pakistan continue to account for the great majority of the experts and the training facilities that have been provided. Between them, they have taken 153 of the 177 experts and have sent 901 of the 1145 trainees. They have also provided 5 of the experts and facilities for 104 trainees. But an increasing proportion of the assistance is going to other countries in the area. Up to the end of 1951, no experts had been provided to other parts of the region and training facilities had been provided for only 24 trainees. The figures up to the middle of 1953 are 24 experts (all to United Kingdom Territories) and 244 training places of which Indonesia accounted for 76 and the United Kingdom Territories for 106.

5. There has also been a marked increase in requests for and the provision of equipment for training and research institutions.

Objects of Technical Assistance

6. According to its Constitution, the Council for Technical Co-operation will organise the provision of assistance in the form of experts, training and experience overseas, and the provision of equipment for training or use by technical experts. Some account of the assistance that has been provided under these headings is given in the following paragraphs. Broadly speaking, it is related to three aspects of development. The first is the drawing up of plans, either for development as a whole or for individual projects within the general development programmes, and a number of experts has been provided to assist in work of this kind. The second aspect is the execution of specific projects, e.g., the building of a dam, the setting up of a factory or hospital, or the carrying out of an aerial or geological survey. This may involve engaging a specialist from overseas to supervise some aspect of the work and to take executive responsibility for it, or sending trainees abroad to gain experience which is not available in their own countries. The third aspect is the training in their own countries of technicians of all kinds who will be needed to man the vast engineering projects, the irrigation works, the new trades and industries, and the transformed agriculture towards which the whole region is striving.

7. In the short term, the main emphasis must be on the preparation and execution of plans which will result in increased production in the shortest possible time, and for this purpose some countries will have to place a good deal of reliance on experience and techniques which are at present only available from abroad. From a longer point of view, it is vitally important that the countries of the region should develop facilities for producing their own technicians of all grades, from the agricultural extension worker and the mechanic to the university professor and soil scientist. There will always be

room for exchanges of experts and trainees as there is and always has been between even the most highly developed countries, and it is unlikely that many schemes will be held up for lack of the relatively small number of highly qualified specialists that they need. Where they are not available locally, they can nearly always be procured from abroad either on normal contracts or through one of the technical assistance schemes. But the medium and lower grade technicians, the agricultural extension workers, the teachers and the whole range of non-commissioned officers in every branch of industry and administration, whose role is just as important as that of the qualified professional men and who will be needed in millions rather than thousands, can only be trained in their own countries. This was recognised when the Council's Constitution was drawn up and paragraph 26 states "Governments will make special efforts to encourage the training of personnel in the trainee's own country, and for this purpose other co-operating Governments will devote as large a proportion of their contribution as is practicable to provide teaching staff and material facilities." It is also for this reason that technical co-operation funds may be used for "the establishment, equipment, extension or endowment of training or other institutions in the countries of the region not available under any other scheme." It takes time to develop institutions of this kind, but unless the job is taken in hand urgently some of the projects now being started up may wither away through lack of trained men at all levels to sustain them. Technical assistance, supported where necessary by counterpart or other capital development funds, can make a major contribution to this development. The faster the under-developed countries approach self-sufficiency in skilled manpower, the better will technical assistance have done its job. The development of the necessary training institutions within the area is something to which all the technical assistance organisations can make a contribution and, because of the relative freedom with which it can provide equipment, the Technical Co-operation Scheme may have a special part to play in this field.

8. The need to develop technical skills within the area has been increasingly recognised by all member countries, both donor and recipient. The provision of equipment for technical training and other institutions is one way of achieving this, and help can also be given by the provision, where necessary, of experienced organisers and instructors and of facilities for Asians to gain practical experience and training overseas. There has been a considerable shift of emphasis in this direction during the period under review, and there is a growing tendency for overseas training to be concentrated on the provision of technical skills and practical experience rather than on the mere acquisition of University degrees.

Facilities Provided in 1952 and 1953

9. The following comments on the facilities which have been provided during 1952 and the first half of 1953 are made in the light of these general observations.

Experts

10. Up to the end of 1951, 177 experts had been requested and 45 provided leaving 132 requests outstanding. During 1952 and the first half of 1953, requests were made for a further 132 experts (omitting requests which were withdrawn or suspended during the period) and arrangements were made to provide 132. Thus, 177 experts had been provided against 309 effective requests. We have reached a position where we are keeping abreast with new requests but we have not yet succeeded in reducing the number which are outstanding. Of these, however, 33 are less than three months old and experience has shown that, save in the most exceptional cases, it is impossible to find a suitable person who is prepared to go abroad in less time than this. As regards the remaining 99 requests, candidates have been offered against 36 and a response is awaited from the applying country. There are thus only 63 cases, or about one fifth of the total which are more than three months old and in which no candidate has yet been offered, and past experience suggests that a number of these are likely to be withdrawn. This improvement is due to better administrative arrangements in both the requesting and supplying countries, to the maintenance of a sense of urgency in meeting the needs of the under-developed countries, and to the way in which the Colombo Plan idea has caught the Public imagination in all member countries. The type of expert which it is proving most difficult to find are engineers of all kinds and people to take charge of specialised departments in advanced technical institutes.

11. Most of the experts who were provided were engaged for specific projects where their duties included the training of local personnel as well as some measure of executive responsibility for the Scheme on which they were engaged. Numerous examples could be given, but typical cases were, in the case of India, the provision of mechanical and electrical engineers for river valley developments and rate fixers and demonstrator operators for the new locomotive works at Chittaranjan; in Ceylon the provision of an engineer for the Government trawler, irrigation engineers for Gal Oya and a research worker in the Department of Economic Research for the Central Bank; and in Pakistan a town planning consultant, a director for a bacteriological laboratory, and a horticulturist as Director-General of Agriculture in the North West Frontier Province.

12. There has been an increasing demand for experts whose main duties will be the training of local personnel. Pakistan, for instance,

has requested that a specialist who reported on the modernization of telecommunications training establishments should return for 2 years, together with the necessary equipment, and help to put his recommendations into effect. India has been provided with a tool-room foreman at the Indian Institute of Technology. The Federation of Malaya, is recruiting, mainly from Canada, 17 science and trades instructors, and Ceylon has recruited from New Zealand a specialist in practical training in schools to be attached to the Department of Education.

13. There has also been an increase in schemes which combine capital and technical assistance. The Governments of Australia, Canada and New Zealand are combining to provide capital equipment and technical assistance for an experimental livestock farm in the Thal area of Pakistan, and co-ordination is secured through a joint committee in Canberra which can draw on the advice and experience of the technical departments of the Australian Government. Australia is also providing Ceylon with a large number of tractors and has sent two experienced operators to train Ceylonese personnel in their use and maintenance. The Canadian Government is supplying equipment and personnel for a pilot project in mechanised fishing in Ceylon which will involve the provision of four vessels, a refrigeration plant and a canning plant as well as about 12 experts. They are also to provide equipment and personnel for an aerial and geological survey of Pakistan. Following a report on the whole problem by a Colombo Plan Expert, self-contained surgical teams are being sent out on anti-tuberculosis work in Ceylon, while at the same time Ceylonese doctors and nurses are being trained in the United Kingdom. Moreover the Australian Government as part of their capital aid to Ceylon are financing the development of anti-tuberculosis clinics and are endeavouring to provide nurses trained in anti-tuberculosis work. The combining of capital and technical assistance in these ways is of obvious value and is a very satisfactory development.

Trainees

14. During the period requests for training facilities increased by 863, and places were found for 836. This satisfactory result is due to the great co-operation shown by universities, public utilities, government departments and private industry in all member countries. The figures given above include a considerable number of trainees who have attended seminars in Australia in public administration, trade promotion and social welfare, and a public health observation mission which visited Canada. In the production field, the Association of British Insecticide Manufacturers has arranged for training in the techniques of crop protection for 42 government

agricultural officers and technicians from private research establishments, and the National Coal Board has, in association with the University of Sheffield, arranged specialised academic and practical training in coal mining for 45 mine managers and potential managers. Apart from the importance to economic development of exchanges of these kinds, they can contribute greatly to the promotion of international understanding in donor and recipient countries alike.

15. Overseas training is being given in a very wide range of subjects, engineering of all kinds, agriculture, industry, administration, education, radio, social services, health, and so on. In most cases the training is designed to widen the trainee's experience and so to make him more proficient when he returns home in the job which he was previously doing. In other cases, the aim is to give trainees the experience necessary to enable them to staff new projects in their own countries, and to develop the sort of training facilities which at present can only be obtained abroad. Thus the United Kingdom have provided training for 8 men in the iron and steel industry and facilities for a number of technicians to man the new industries which are being established in Ceylon. They are also arranging a special training course for teachers for the technical high schools being set up in Pakistan with equipment supplied by the United Kingdom. Similarly, the Australian Government has offered to provide equipment for a model bakery in Ceylon which will be staffed by three Ceylonese who have spent several months gaining experience in Australia. Another example of the same kind of combined operation is Ceylon's request, which New Zealand is meeting, for the services of an expert to start a school of dental nursing in which the Ceylonese nurses at present under-going training in New Zealand can be employed when they return home. There may be room for many more two-way exchanges of this kind in the building of training and demonstration facilities within the area—the provision of personnel and equipment on the one hand to organise and start a training institution or to develop an existing one, and on the other the gaining of experience in similar institutions overseas by the people who will eventually be responsible for its management. In suitable cases, technical assistance of this kind can be associated with development projects which the receiving country is financing from counterpart funds accruing as a result of capital assistance contributions. Schemes of this kind have a great appeal for the country providing the experts, the equipment and the training facilities. They provide a visible and permanent record of the assistance which they have been glad to provide, and the institutions are a permanent asset to the countries in which they are located.

Equipment

16. The supply of equipment for use by experts and for training and research institutions in the region was envisaged in Articles 2

and 26 of the Constitution of the Council. There has been a steady increase in the demand for and provision of equipment of this kind. The Government of Pakistan, for instance, plans to set up a number of Technical High Schools on the lines of one which was established in Karachi in 1951. This programme has been designed to introduce into the secondary stage of education a technical bias of a kind suited to the requirements of Pakistan. In response to a request from the Government of Pakistan for equipment for some of these schools, the United Kingdom sent a senior inspector of schools to Pakistan to advise and report on the project. In the light of this report, the United Kingdom have expressed to Pakistan their willingness to provide the entire equipment for eight new schools, and to supplement the equipment at a school already established in Karachi, at an estimated cost of about £ 136,000.

17. With a similar object, the Government of Ceylon has decided to equip senior secondary schools with workshops so that the normal academic education may be combined with handicraft and practical training. They have made a request for equipment for 100 workshops in the fields of carpentry, metal work, lacquer and weaving. Those workshops will be attached to selected schools and will serve as a model for subsequent development. The Government of Australia has agreed to supply woodwork equipment for 50 of these workshops, and light metal work equipment for 20, at a total cost of £ A. 19,300. The United Kingdom Government has also agreed in principle to provide equipment for these workshops and are working out details with the Government of Ceylon. The United Kingdom Government has supplied tool room equipment to the value of about £ 35,000 to the Indian Institute of Technology at Kharagpur. They have also offered to equip a textile training centre in Pakistan at an estimated cost of about £ 140,000. Equipment is also being provided, partly under the Technical Co-operation Scheme and partly from capital development funds, for the experimental livestock farm which the Governments of Australia, Canada, and New Zealand are combining to set up in the Thal area of the Punjab. At the end of 1951 and the beginning of 1952, Australia sent a Technical Equipment Mission to Ceylon, India and Pakistan to determine priority needs in terms of projects and institutions which Australia could assist. In the light of its report, Australia has allocated to Ceylon £.A. 20,000 for equipment for 1952-53 and a further £. A. 20,000 for 1953-55; to India £ A. 65,000 for 1952-53 and £. A. 200,000 for 1953-55; to Pakistan £. A. 30,000 for 1952-53 and £. A. 100,000 for 1953-55. No other member country has made a specific advance allocation of funds in this way but, other countries have already met or have under examination requests for equipment in some cases estimated to cost very large amounts. Equipment of a similar nature is being supplied by Canada out of funds set aside for capital development.

18. Assistance for equipment is in accordance with the aim of the Council to encourage the training of personnel in the trainee's own country and to devote as large a proportion of the contributions as possible to the provision of teaching staff and material facilities. Member countries are also prepared, at the request of the Government concerned, to consider the provision of equipment which is needed to complete projects sponsored by the United Nations or by the Specialised Agencies. The only such project which has so far come to maturity is a request by the Ceylon Government, supported by the Food and Agriculture Organisation, for equipment and machinery for the research workshops and laboratory of their Forestry Department. The United Kingdom Government has undertaken to provide the equipment which will cost about £17,000.

Use of Asian Countries Contributions

19. The basic concept of the Colombo Plan has been one of co-operation, each member country doing what it can to assist in the development of the area as a whole. Acting in this spirit, India earmarked £750,000 for the Technical Co-operation Scheme, Ceylon £400,000 and Pakistan £161,290. Out of these funds, India has supplied five experts (to Ceylon), has taken in 98 trainees from countries of the region in statistics, sugar technology, customs administration, broadcasting and engineering and has offered 55 scholarships and fellowships in Indian Universities and specialised Institutions. Pakistan has offered training in civil aviation, has made 30 head of cattle available for breeding purposes in Australia's tropical territories and has arranged to take a trainee from Ceylon in dam construction. Ceylon has taken three trainees from other parts of the area at the Co-operative Training School. Acting in co-operation with the United Kingdom, the United Kingdom Territories in South East Asia have accepted trainees from Ceylon in rural broadcasting, and are arranging for further training facilities for candidates from India and Ceylon in arecanut growing and marketing, and in immigration laws and practices respectively.

20. The possibility of extending these facilities within the area is under consideration by the Governments concerned. The development schemes in operation in any particular country of the region are likely to be repeated elsewhere with certain modifications and planners, managers, engineers and trainees can often learn more from studying a project which is actually being carried out in the area than from the study of a completed project in an already developed country where conditions differ from those of the region and where much more emphasis has to be put on replacing men by machines. River valley schemes and schemes of rural development are obvious cases where the exchange of experience and the training of overseas officers can be of great value. Such exchanges can be financed by

Ceylon, India and Pakistan from the funds which they have earmarked as their contributions to the Technical Co-operation Scheme.

21. At its meeting in April 1952, the Council agreed that capital expenditure on buildings was a proper charge on a country's contribution to the Scheme, provided substantial benefits were offered to other countries in the area. This decision arose out of a proposal by the Government of India to use part of its contribution for the construction of accommodation in which to house foreign students attending the rice breeder's course at Cuttack, and the principle is one which can be applied much more extensively. There is, for instance, a great need in the area for trades instructors, irrigation engineers and road engineers and the facilities for training them are at present inadequate. The demand in any one country may at the moment not be sufficient to justify providing such facilities for that country alone though the total demand throughout the area may be considerable. Where there is reason to suppose that the regional demand is sufficient to justify the extension of existing facilities or the provision of new ones, a country may use its Technical Co-operation funds for the provision of buildings which could be equipped and, so far as may be necessary, staffed by other members of the Council. Such training institutions, which would serve the needs of the region as well as of the country in which they were located, can thus be built and equipped out of funds set aside for the Technical Co-operation Scheme and in this way a significant contribution can be made to building up training facilities within the area.

Co-ordination with Other Agencies

22. In keeping with the intention of the participating Governments that the fullest co-operation with the United Nations and other agencies providing technical assistance in the area should be developed, the Council meetings have been attended by the Resident Representative of the Technical Assistance Board in Ceylon as well as by a representative of the United States Embassy in Colombo. The Council wishes to express its gratification that the Technical Assistance Board has seen fit to appoint an officer to Colombo who is charged with ensuring the greatest measure of co-ordination between the activities of the United Nations and its Agencies and the Council, and to express its gratitude for the help and co-operation it has received both from this officer and from the representative of the United States Embassy. The Liaison between the Council and the representative of the Technical Assistance Board has been supplemented by the attendance of the Director at a meeting of the Technical Assistance Board in Geneva in September 1952 and by discussions which the President of the Council and the Director have had with

officers of the Technical Assistance Board and the United Nations Technical Assistance Administration in New York and with the headquarter staffs of the Specialised Agencies. The first and most effective steps toward co-ordination must however be taken in the national capital of the countries applying for assistance. The applying Governments must themselves take the responsibility of deciding, in the light of experience, which organisation to approach with any particular request. All participating governments may, however, find it useful in particular cases to seek the advice of the agency with most experience in that field. There is also room in the individual capitals for more regular meetings and for a more systematic exchange of information between officers of the governments concerned and representatives of governments and agencies offering aid.

23. There have been discussions with the Delhi Office of the World Health Organisation about the possibility of Australia and Canada providing equipment for certain W.H.O. projects in the area. Informal talks on the same lines have also taken place between participating countries and representatives of the Food and Agricultural Organisation and the International Labour Office. The Council welcomes co-operation of this nature.

Finance

24. Member countries are required to report twice yearly the expenditure incurred and the cost of commitments entered into towards the provision of assistance under the Scheme. By 30th June 1953, the total expenditure incurred against the £8 million sterling, amounted to £894,159. The expenditure on trainees amounted to £598,496; on experts £231,517; and on equipment £64,146.

An analysis of the actual expenditure on six monthly basis reveals a progressive increase in the assistance rendered under the Scheme.

TABLE "A"
(Pound Sterling)

Period	Actual
As at 30th June 1951	16,371
July/December, 1951	121,816
January/June, 1952	165,490
July/December, 1952	236,916
January/June, 1953	353,584

TABLE "B"

Accounts of Expenditure by Co-operating Governments as at 30th June, 1953

					(Pound Sterling)			
Country					Trainees	Experts	Equipment	Total
Australia	.	.	.	.	220,377	39,787	29,659	289,823
Canada	.	.	.	.	143,219	53,863	..	197,082
Ceylon	.	.	.	.	597	..	1,789	2,386
India	.	.	.	.	12,114	1,132	..	13,246
New Zealand	.	.	.	.	80,811	24,744	7,732	113,287
Pakistan	.	.	.	.	..	..	1,215	1,215
United Kingdom	.	.	.	.	141,378	111,991	23,751	277,120
TOTAL					598,496	231,517	64,146	894,159

APPENDIX I

Subjects in which countries have supplied assistance upto 30th June 1953.

Subjects.	Australia		Canada		Ceylon		India		New Zealand		Pakistan		U.K.		Total
	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	
Education	6	59	1	5	..	..	1	3	4	13	..	..	1	19	99
Medical and Health	14	22	..	11	..	..	..	3	9	28	..	..	21	42	106
Agriculture and Forestry	10	70	19	30	..	..	..	1	2	31	..	..	2	57	189
Power and Fuel . . . . .	..	11	..	18	..	..	..	..	..	6	..	..	1	66	101
Engineering	7	55	1	15	..	..	1	11	..	20	..	1	12	17	119
Industry and Trade	1	21	..	3	..	..	3	22	1	11	..	2	15	22	81
Transport and Communications . . . . .	..	37	1	18	..	..	..	1	1	7	..	..	13	48	111
Administration	1	81	..	15	..	..	..	1	..	6	..	..	3	69	172
Social Services . . . . .	..	18	..	..	..	..	..	..	..	7	..	..	3	4	29
Statistics . . . . .	..	3	..	1	..	..	..	55	..	1	..	..	..	2	62
Fisheries	1	..	9	2	..	..	..	..	..	..	..	..	..	4	6
Miscellaneous	4	25	..	..	..	3	..	1	2	10	..	..	7	31	70
TOTAL	44	402	31	118	..	3	5	98	19	140	..	3	78	381	1145

APPENDIX I—contd.

Subjects in which countries have received assistance up to 30th June, 1953

Subject	Brunei		Burma		Ceylon		India		Indo- nesia		Malaya		Nepal		North Borneo		Pakistan		Philip- pines		Sarawak		Singa- pore		Thailand		Total		
	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Expert	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees	Experts	Trainees			
Education . . . . .	..	..	..	..	7	33	1	13	..	8	1	11	..	1	2	3	1	17	..	7	..	2	1	2	..	2	13	99
Medical and Health . . . . .	..	..	..	..	17	39	9	37	..	4	10	15	..	..	1	1	7	8	..	1	..	3	..	1	..	1	44	106
Agriculture and Forestry	1	6	41	6	84	..	9	4	8	..	1	15	35	..	4	2	1	..	1	..	4	33	189
Power and Fuel . . . . .	..	..	..	..	..	..	3	1	80	..	1	..	..	..	..	..	..	16	..	1	..	..	..	..	..	..	1	101
Engineering	1	..	..	..	8	43	6	21	..	2	2	18	..	2	..	2	5	23	..	..	..	3	..	2	..	2	21	119
Industry and Trade . . . . .	..	..	..	..	1	10	35	3	13	..	4	..	8	..	..	1	..	6	19	..	1	..	..	..	..	..	20	81
Transport and Communications . . . . .	..	..	..	..	..	..	1	21	12	64	..	5	..	..	..	..	2	21	..	..	..	..	..	..	..	..	15	111
Administration	1	..	..	..	3	11	..	3	..	31	..	2	..	..	..	3	1	109	..	1	..	2	..	9	..	..	4	172
Social Services . . . . .	..	..	..	..	3	14	..	9	..	1	..	1	..	..	..	..	..	1	..	1	..	1	..	1	..	..	3	29
Statistics . . . . .	..	..	..	..	5	9	..	1	..	3	..	2	..	4	..	..	..	18	..	12	..	..	..	..	..	8	..	62
Fisheries . . . . .	..	..	..	..	..	10	3	..	1	..	..	..	..	..	..	..	..	2	..	..	..	..	..	..	..	..	10	6
Miscellaneous . . . . .	..	..	..	..	..	4	20	1	26	..	8	..	..	..	2	..	8	12	..	..	..	..	..	..	..	..	13	70
TOTAL	2	..	7	69	268	39	352	..	76	17	65	..	10	4	11	45	281	..	28	2	12	1	16	..	17	177	1145		

APPENDIX II

Technical Assistance provided to South and South East Asia by the United Nations from 1st July 1950 to 30th June 1953

Country	TAA			ILO			FAO			UNESCO			ICAO			WHO			TOTAL		
	E	F	E	E	F	E	E	F	E	E	F	E	E	F	E	E	F	E	E	F	E
Brunei	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	6	..	..	6	..	..
Burma	63	9	19	18	3	6	8	..	3	66	12	168	53	..	..	..	..	..	..	..	..
Cambodia	..	4	..	..	..	2	..	..	..	5	4	7	8	..	..	..	..	..	..	..	..
Ceylon	24	8	10	8	2	17	..	..	..	32	13	142	31	..	..	..	..	..	..	..	..
India	47	100	19	35	17	34	16	2	8	41	39	270	215	..	..	..	..	..	..	..	..
Indonesia	29	15	9	8	9	14	18	48	4	31	23	142	77	..	..	..	..	..	..	..	..
Malaya	..	1	1	4	..	..	..	..	..	12	7	15	12	..	..	..	..	..	..	..	..
Nepal	1	4	..	..	1	..	..	..	..	..	..	6	5	..	..	..	..	..	..	..	..
North Borneo	2	..	..	..	..	..	..	..	..	4	1	6	1	..	..	..	..	..	..	..	..
Pakistan	46	71	18	5	20	25	12	6	2	51	11	236	121	..	..	..	..	..	..	..	..
Philippines	20	41	..	8	..	15	24	..	6	9	15	49	94	..	..	..	..	..	..	..	..
Sarawak	..	..	..	..	..	..	..	..	..	4	2	4	2	..	..	..	..	..	..	..	..
Singapore	..	..	2	5	..	..	..	..	..	6	3	8	8	..	..	..	..	..	..	..	..
Thailand	4	33	10	5	48	18	34	12	8	49	15	140	143	..	..	..	..	..	..	..	..
Vietnam	..	..	..	..	3	..	..	..	..	4	..	4	3	..	..	..	..	..	..	..	..
TOTAL	236	286	88	96	103	131	112	68	31	320	145	1,203	773								
Regional	22		22							9		105									
GRAN TOTAL	258	286	110	96	103	131	112	68	31	329	145	1,308	773								

APPENDIX III

Technical Assistance Provided to South and South-East Asian Countries by the United States Government—(1951—June 30, 1953)

Trainees	Burma	India	Indo-China	Indonesia	Nepal	Pakistan	Philippines	Thailand
Agriculture, Forestry, Fisheries	10	87	12	167	3	103	69	76
Health and Sanitation . . .	28	75	3	58	2	26	36	110
Education	16	25	0	48	0	13	39	32
Natural Resources	3	36	7	0	2	2	18	21
Industry, Trade, Labour . .	12	61		120	0	15		
Transport and Communication. .	0	17	3	13	1	16	15	40
Public Administration . . .	3	2	5	3	0	1	58	28
TOTALS	72	303	30	409	8	176	235	307

Technicians	Burma	India	Indo-China	Indonesia	Nepal	Pakistan	Philippines	Thailand
Agriculture, Forestry, Fisheries .	21	57	8	23	8	14	31	22
Health and Sanitation . . .	35	13	14	6	1	3	12	26
Education	14	15	2	8	0	2	14	13
Natural Resources	7	34	1	0	2	1	20	2
Industry, Trade, Labour . . .	8	11		8	0	4		
Transport and Communication .	10	2	4	4	0	2	18	7
Public Administration . . .	6	0	11	2	0	1	31	3
General Projects	53	18	2	12	0	12	..	..
TOTALS	154	150	42	63	11	39	126	73